

Building an Independent Business/Practice: How to Maximize Your Investment Strategy

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Why do some practices seem to always be growing? They have a business investment strategy that works. A business investment strategy is the allocation of your resources, in this case dollars, consistent with the current position and goals of your practice. After examining the performance data of many practices, we have compiled a simple strategy to maximize your investment in your practice, based both on what has worked—and what has not. The investment strategy outlined in this article should guide you from your current position on to the next step: once you've evaluated your practice and discovered where you are now, you can determine where you want your practice to go.

This strategy is based on reviewing practices' profit and loss statements, facilities, and marketing plans as well as on discussions conducted with doctors and their teams. From the data gathered, investment has been divided into four significant areas:

1. **Credentials/Training:** Acquiring clinical training as well as management training for the dentist and the entire team.
2. **Equipment/Technology:** Purchasing state-of-the-art technology and equipment to deliver high-quality care consistent with the level of skill in the practice.
3. **Marketing:** Involving both internal and external marketing efforts in your practice's growth.
4. **Facility/Location:** Investing in a modern facility located in an area that can support the quality of care your team wants to provide. (Don't underestimate your current area).

All of these categories have a high degree of overlap (i.e. marketing and facility as well as training and equipment), but for the sake of simplicity, they have been distinguished into discrete units.

Credentials and Training

It became apparent from the data that the most important investment a practice can make is in credentials and training. Quality of care is highly impacted by good training and, most importantly, providers are instilled with the confidence that they offer the best care available. The centerpiece of this investment strategy, an investment in credentials and training is just like any other investment in business—it needs to be continually reviewed and refreshed. This truth has been demonstrated on several occasions when the dentist invests in a modern facility with the latest technology, but due to only a marginal investment in clinical and management training, the practice fails to reach ownership goals. On the opposite end of the spectrum, many of us have witnessed practices in marginal facilities or locations do extremely well due to the expertise of the practitioner and dental team.

Equipment/Technology Vs Marketing

The next step in a successful practice investment is in equipment/technology. In this case, the data should be interpreted depending on the practice's current status: an all-out investment in equipment/technology is not dictated if it means you can't also invest in marketing your practice.

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There needs to be a balance between investing in equipment/technology and creating market awareness, and this is where budgeting for the practice is crucial. There is no standard “rule of thumb” as to what dollar amount or percentage of revenue you should allocate for any of these categories. It is a budgeting issue based on your practice profile. In the evolution to an independent business model, maximizing the return you get on your investment in the practice is critical. As with any business, you have limited resources, and cannot afford to squander them. Inappropriate or ill-timed investments will have a profoundly negative impact on your practice’s stability and profitability.

The decision of where to invest should become a stair-step process: invest in the technology, then invest in the marketing of the practice, then earn a return on your investment and, finally, invest again. One example of how this works involves investing in laser technology for perio care. A practice would first purchase the equipment, and then invest in acquiring the skills necessary for using the laser technology. This new, competitive service is used as a spring board to marketing, and then as the marketing brings in more patients, the practice experiences an increase in profitability that recoups the initial investment and sets the stage for the next investment.

How do you decide whether to start at technology or marketing? Look at what stage of current implementation your practice is in right now. Keep in mind that all practices are at differing levels of current involvement and at varying degrees of implementation in investment strategies. Many well-established practices already have current equipment/technology, so they might best be served by investing in their own brand recognition programs—especially if they have or are moving into the independent business model. On the other hand, many established practices have a very stable client base (my next article will deal with how to maximize this referral source) and the injection of new technology into an old practice can work well to revitalize the enthusiasm of your guests/patients.

Facility

Although it is easy to get excited at the prospect of building a new facility, in reality it is, in most cases, the last step in the investment strategy to round out a practice —primarily because of the cost. A serious word of caution—don't get caught up in the excitement of a new facility and run over budget! Before you move on this last investment, know your numbers and stick to your budget.

As you may have noticed, the category of facility also includes location. Do your research. Are you building in the most appropriate area for the style of practice you want to develop? Many practices are evolving into a High-end General Practice with an Occlusal Aesthetic component (HGP-OAC). The location for this style of practice does not necessarily need to be in the most exclusive part of town. Keep in mind that when all the excitement is over and you have moved into your expensive location, the reality of the cost will set in. A few months after the move, you will realize with a sinking heart that you have year after year of high payments left to make. In this new era of entrepreneurial dentistry, a modern, state-of-the-art facility is a necessity—but not if it kills your enjoyment of dentistry and sinks the ship.

So to summarize this practice investment strategy, start with training yourself and your team: train them to be the best and most importantly expect everyone to be their best. Second, balance your resources between equipment/technology and marketing. Get the practice running smoothly AND PROFITABLY. I would strongly suggest that a significant portion of the new facility's cost come from the current practice profitability that has been budgeted for this investment—don't rely just on bank loans— then make the leap into a new facility to bring it all together. No matter where your practice currently lies in this investment cycle, make sure you have covered each of the previous steps before moving on to the next, and be prepared for your independent practice to take off!