

BACKGROUND

Strategies to prepare a dental practice for sale or to grow it are the same and are focused on proving the practice is of significant value. Ideally, a survey of the practice should show that the business is still growing and has new patients; the net profit is strong and positioned to continue to be strong; the team is well-trained, efficient, high-performing, and provides an excellent patient experience while maintaining their engagement and pride in work; capital investments are made regularly; and the reputation of the dentist in the community is good. Five key areas need to be addressed, with the current article focusing on the first 2: human capital, marketing, space and equipment, clinical duplication, and financial discipline.

HUMAN CAPITAL

Human capital not only includes typical human resources functions, such as recruiting, hiring/firing, and compensation, but also encompasses all the aspects that make the team the most valuable asset in the practice. Great human capital is the most defining factor influencing whether a practice will thrive. Dentists need to not only have a team that upholds the concepts of accountability and engagement, but also one that actively participates in ongoing training and development, contributes to a positive culture in the facility, and is responsive to incentives. The development of efficient operational systems and processes depends on having people who will execute them effectively and consistently.

The return on investment (ROI) in human capital each year is nearly immediate when a good team is in place. In addition, the caliber of the human capital to achieve desired results will largely influence the ROI made in the other four areas that need to be addressed.

Specific strategies to be undertaken with respect to human capital are as follows:

- Hire great people and eliminate those who aren't contributing significantly to the team's efforts. The practice should be a high-performing as possible.
- Invest in training the team members so they can provide an excellent patient experience, including the potential new patient's first interaction.
- Create a patient-centric culture of appreciation and recognition based on a compelling vision for the practice, core values, a focus on results, and generosity in engaging the community.
- Ensure the dentist models desirable behaviors, leads, motivates, and mentors the team to ensure the focus remains on patients.

- Invest in leadership team development as people become equipped to manage daily practice functions. This will free the dentist up to provide overall leadership and to conduct long-term business planning.

If the human capital in a practice isn't functioning as it should, potential buyers will know it. If the goal is growth and the human capital falls short, patients will know it. Evidence of poor management of human capital will result in the following:

- Disorganized and inefficient office procedures and a lack of teamwork
- Non-engagement of team members
- Lack of genuine caring and concern for patients
- Indifference to results and personal performance because there is no connection to the pay that is received
- Angst over any impending sale of the practice because of the fear the new owner will raise expectations
- Ultimately, not achieving any of the results desired

MARKETING

Marketing is not only advertising but also communicating about all the things the dentist and dental practice do in the community. Establishing a good reputation with existing patients who will then refer their friends and family and maintaining that reputation are a vital part of marketing. This requires that investments in marketing be an ongoing practice to attract new patients and keep the ones you have. Having a steady stream of new patients is the lifeblood of a dental practice. It offsets attrition and creates a net gain that results in progressive growth.

In a practice that is being offered for sale, potential buyers will look at the history of new patients to determine if the practice is following a growth pattern or has plateaued. New owners will have a much easier time building on momentum than starting from a deficit or a plateau. The result in the latter cases will be a lower offer for the practice.

Marketing needs to be done consistently. However, it can be delegated to a creative team member savvy about marketing approaches or an outside agency can be hired. Fundamental elements to be included in marketing campaigns are as follows:

- Identify the desired target audience and design messages that will resonate with those patients and motivate them to seek care to improve oral health or smiles.

- Continually test and adjust campaigns to ensure the ones that perform well are kept and those not doing well are discontinued. Carefully review the material to ensure that the words are correct and spelled correctly; that all links work; that the message is accurate; and that the contact information is correct. In addition, the structure needs to be in place to ensure that all calls will be handled expeditiously and with excellence.
- Track how much each component and each campaign costs and how many new patients result so that it's possible to obtain an ROI. Those who answer the phone should ask callers how they heard about the practice so each campaign can be judged on its results.
- Scale campaigns that have consistently good ROI to reach a larger audience. Successful campaigns can be repeated yearly at the same time, such as those reminding patients to use their benefits before the end of the year.
- Put team members in place who are well trained in how to convert calls to booked appointments so that the investment in marketing achieves the best ROI possible. Don't waste marketing dollars.

Clinical Significance

Human capital and marketing are strongly linked in their effects on the growth of a dental practice. Money spent to generate more phone calls and website visits should be carefully tracked to ensure that it isn't wasted on campaigns that have a poor ROI. The dentist should ensure that the team is well trained to convert phone calls into appointments for dental care and that they will deliver an excellent experience to all patients who come to the facility. Without a steady stream of new patients, the practice will not grow and will not be well positioned to garner a healthy offer when it's put up for sale.

Geier J: 5 to grow on, *DentalTown* Dec 2020, pp 90-92, 94-95

Reprints not available

RETIREMENT CONTRIBUTIONS

Modern 401(k) Considerations



BACKGROUND

Having a 401(k) plan offers a great incentive for saving money and investing for retirement. These plans can also serve as a recruitment tool and a retention incentive. Even the owner/operator of the practice can benefit from tools such as tax-deferred profit sharing and the deductibility of employee contributions. Modern 401(k) plans are better than past plans in terms of reduced fees, higher returns, better risk management and reporting, and valuable education services for both employees and owner/operators. Dentists need to do their homework so they are certain that the 401(k) their dental office offers is mitigating fiduciary risk, that they are paying a fair amount for the service, and that the investment is suitable for the employees as well as the owner/operator with respect their financial goals and level of risk tolerance. This research should address fees and compounding, the advantages and disadvantages of the various vehicles, the need for fiduciary responsibility and regulatory management coverage, and the risks associated with the owner/operator serving as his or her own fiduciary.

FEES

Legacy plans often charge hidden fees amounting to as much as 5% of the assets annually. These fees can be obscured fund costs, fees nested inside investment vehicles, and service fees tacked-on

to cover employee benefits. In addition, fees are subtracted from the entire account balance rather than simply the gains. As a result, rather than the fund compounding to grow faster as gains are reinvested, the removal of fees forever affects the growth for the investor and instead benefits the plan and fund managers. Between a third and half of the return an investor might have expected can be lost with unexpectedly high fees.

Modern plans tend to charge far less than legacy plans, with many costing 1% or less annually. Having an open, transparent, asset-based fee structure in the 401(k) plan provides peace of mind and security from hidden costs.

VEHICLE PROS AND CONS

The 2 common types of 401(k) products are actively managed funds and index funds.

Actively Managed Funds

Actively managed funds are generally sold through brokers who invest the employees' savings in stocks and shares they select. Often these brokers are incentivized to maximize their commissions and fees, which can add up. As a result, actively managed funds tend to be significantly more expensive than index funds.