

# Value Improvement Benchmarking Advice ('viba')

## DP Case Study: A clear pathway to improving practice success; AND to retiring financially secure

### Background Information

Our client is AAA dental practice ('AAA'). AAA has 4 Principal (owner) Dentists (including our client, Jeff), 2 Contracting Dentists, 2 Dental Hygienist, 2 Dental Nurses and 3 support staff. Jeff contacted us concerned with the following issues:-

- Declining **practice profitability, productivity and performance**;
- No **shared vision** between Dentists and the practices' dental services team for the future of the practice; and
- No **formal succession plan** that address how to transition the practice from 'personal' goodwill to 'practice' goodwill.

We had previously only worked with Jeff and AAA's practice manager, Michelle, to complete AAA's accounting and tax returns but as a result of our DP's viba accreditation we were able to offer AAA's Principal Dentist 3 client advisory services packages over a 2 year engagement period.

1. **Current Practice** package
2. **Improved Practice** package
3. **Succession Practice** package

The purpose of our case study is to highlight how DP viba process can also help you **retire financially secure** by transitioning your dental practice to a benchmark performing practice.

### 1. Current Practice Package

Our starting point for AAA was an assessment of all 6 practising Dentists (Principal/Contracting) **key concerns** and **future needs**. We visited each Dentist at their homes (after hours) and completed our DP needs review questionnaire with them and their respective relationship partners. The **reliance on the practice as the major source of income and wealth** for all Dentists was identified as the most 'common' and 'top' concern, with an '**ACT NOW**' timeline.

<b>One issue identified:</b>	Reliance on practice as the major source of income and wealth
<b>Our viba solution:</b>	Value Gap Analysis Consultation
<b>Owner and practice benefit:</b>	Engaged all Principal and Contracting Dentists to grow the sustainable value of the practice

By completing a value gap analysis consultation with each Dentist we were able to provide them with detailed information in relation to their personal **value gap risk** and for the Principal Dentists **how long, in terms of years**, they would have to work before they **could afford to retire** based on the practices' valuation which in turn was based on sustainable profit and future profit growth rate potential.

### 2. Improved Practice Package

Having better understood their personal **value gap risk**, all Dentists agreed to participate in a **½ day 'off site' practice improvement workshop** conducted over a weekend to ensure practice operating hours were not disrupted. Michelle and selected members of the dental services team were also invited so the practice could establish a shared vision centred on '**creating and building patient value**'.

We segmented our practice improvement workshop into 3 sessions; one for Dentists only, one for Dentists and Michelle and then all Dentists and staff. Each Dentist and dental services team members were provided with our **DPs Risk and Value Driver Assessment** SWOT questionnaire which they completed during the workshop. We facilitated the workshop and produced AAA's SWOT Report, an extract of which is provided below.



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## AAA's Improved Practice SWOT Report

<b>Strengths</b> <ul style="list-style-type: none"> <li>Practice appeal</li> <li>Reputation of founding Dentists</li> <li>Relationships with other allied health professionals</li> <li>Location - high net worth catchment</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>Below average patient benchmark performance</li> <li>Restrictions - expanding consultation facilities</li> <li>No marketing plan</li> <li>Unstructured training and PD program</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>Survey patients to identify new services opportunities</li> <li>Upgrade clinical and practice management software</li> <li>Develop 'patient loyalty club'</li> <li>On-line booking system</li> <li>Expand role of the Dental Nurses</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>Reliance on Jeff and Helen, the founding Dentists</li> <li>Inequitable sharing of services/workload</li> <li>Out of date Principal/Contracting Dentists agreements</li> <li>Availability of Locums in family holiday periods</li> </ul>

<b>One issue identified:</b>	Below industry average <u>patient</u> benchmark performance
<b>Our viba solution:</b>	Provide a comparison of AAA's patient benchmarks ( <b>quantitative</b> and <b>qualitative</b> ) with Knowledge Bank DP industry average and benchmark information (\$ and % TPF) and advice on how to close the gap
<b>Owner and practice benefit:</b>	Improved patient loyalty, more productive and profitable practice

Our Knowledge Bank DP industry information allows us to benchmark our DP clients businesses against industry top performers. We provided Michelle with our DPs Standard Chart of Accounts and we were able to export the practices' benchmarking data directly into the Knowledge Bank to produce real time, accurate quarterly performance benchmark comparison reports. As a result of the provision of this benchmarking information all Dentists and the dental services team became more focussed on improving patient benchmarks which resulted in AAA exceeding the industry average within 6 months of engagement.

### 3. Succession Practice Package

Being part of the DP 'viba' network enables us to obtain research information on what 'industry consolidators' are looking for when buying DP practices including paying for 'practice' goodwill. We included this information in our business valuation materials and we received approval from AAA's Principal Dentists to **value their practice to determine a goodwill amount** and then benchmark AAA's business cap rate and value to the industry.

<b>One issue identified:</b>	Limited existing 'practice' goodwill value
<b>Our viba solution:</b>	Business Life Plan focused on the 2 founding Dentists (Helen and Jeff)
<b>Owner and practice benefit:</b>	Transition practice from 'personal' to 'practice' goodwill within 3 years

Our initial low assessment of negligible goodwill in the practice provided the **reality check** needed to align AAAs Principal Dentists and staff on examining growth, patient relationship improvement, practice valuation, ownership succession and asset protection options. We convinced the 2 Principal founding Dentists to then complete a Business Life Plan. A key action plan was to implement a practice performance program that would rewards each Dentist for improving their **productivity and the Dentists/dental services team for improving patient benchmarks**, a major step towards creating 'practice' goodwill.

We were subsequently invited to sit on AAA's board of advice to ensure Jeff and Helen's Business Life Plan goals were implemented and their 3 year plan to build a **'goodwill' practice and to be able to retire financially secure** could be **achieved**. We were subsequently asked to undertake a Business Life Plan with the other 2 Principal Dentists.

### Contact Us

We are part of an independent network of accredited Value Improvement Business Advisers specialising in providing growth, improvement, succession and estate planning advisory services to Dentists in private practice. To learn more about our DP viba advisory process you can contact us on:-

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