

Ep #19: The 3 Main Functions of Any Business



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With Your Hosts

Dr. David Phelps and Evan Harris

[Dentist Freedom Blueprint](http://www.DentistFreedomBlueprint.com) with Dr. David Phelps and Evan Harris

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You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

David: This is Dr. David Phelps with my friend Evan here on another episode of "The Dentist Freedom Blueprint". Evan, are you there?

Evan: I am here.

David: Evan, always great to talk to you. Listen, today I want to talk to you a little bit about what we both see and sense. I know many of our dental colleagues also sense a great concern about the competition that has arrived on the scene the last few years from corporate clinics. Corporate America coming in, opening new franchises of dental clinics, rolling up other private practice clinics and really creating some potential headaches for our dentists. How are they to compete today, Evan? What are you seeing and how are you advising a lot of your current clients in this current environment?

Evan: That's a good question, actually. It's pretty fresh, I just recently came from one of my client's offices that has a really cute little practice but not a lot of dental offices next to this practice, actually there's really none. All of a sudden, 6 months ago, up pops this big sign, and a structure being built in front of this office and it's a dental office, and we find that what they're building is a train.

It literally looks like a locomotive, it is that size, that scale. The paint starts to come up and the stucco, and this building looks pretty impressive. There's a sign across the top, "The Dental

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Express". If you're listening right now and this is your practice, by no means am I diminishing you in any way, I'm just speaking from experience here, my doctor freaked out. Just worried that this little boutique practice with no other practices around it, all of a sudden, all of the patients in that area were going to flock to "Dental Express".

Here's what we found, we did take a little bit of mystery shopping, where we peaked through the windows, we called the office, we just wanted to get an idea of what this practice is all about. David, what we found is that there's something they're doing really well.

Here's a practice that opened from scratch and what they've done well, I believe, is they've created a brand. It's very clear the moment one looks through the windows, this is going to be fun place.

The colors are fun, everything is new, everything is neat, it looks like a restaurant, yet dental. It's clean like it could be clinical, but it has this appeal that it's not going to be scary. My doctor came to me, he said "Evan, what do I do?" I said well, "the question I have for you doctor is, who do you want to become if the patient is going to come from there, what do you want to be? What is your experience you want that patient to have?" I'm encouraging you to listen here, corporate dentistry, I believe, is coming fast. In my 20+ years of doing this, it's come faster than I've ever seen.

When I began it was Western Dental, and then a couple other Smile Cares. That was it. That was absolutely it. Now in your area, you may have a handful as well. Now, it's a whole new game. We've got Pacific Dental, PDSI, they're coming in, and it's "Your Town" Dental Group. Whatever it is.

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It could be San Clemente Dental Group, San Diego Dental Group, and it looks like it's meant to be there like it's a doctor that owns it in the town, but it is corporate. Not saying if it's bad or good, but my encouragement to the private practitioners is to find their place and stay true to who they are. I think, David, that we should be talking about what they should do to be able to run their business as a business and not just hang a shingle and let their clinical skills have patients think they're going to B2B ...

David: Yeah, you hit on some really solid points there, Evan. I think it goes back to again, the training that we as dentists had in professional practice, it was all about our technical expertise, and there are only so many years to go through dental school and I think that's where the focus has to be. Unfortunately, we have no business training, we don't understand really marketing, we don't understand communication and sale conversion, and the big thing you mentioned that is really key, that I want to bring it back up again, is about branding and branding who you want to become.

We tend to think people will just automatically come to our practice because we have a sign out there and because we've worked really hard to obtain high level of clinical skills. Some of the very, very best clinical doctors sometimes have the practices that are suffering the most because all of their emphasis has been on what they do and they haven't considered the bigger universe of branding, of positioning, of differentiating who you are instead of marketing what you do.

That's what you're saying this "Dental Express" is doing. They're doing it well. We don't know who is behind the curtain, that is, who are the doctors. For the most part they're probably younger doctors, they probably have a lot of turnover. At least they're leading with the brand of positioning.

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So to circle back around Evan, we've got to have doctors and dentists today really understand that they've got to run their practice more as a business. Focusing on just the technical expertise and more continued education is not going to be enough.

It's important, it's a piece of it, but I found that it's only about 15% of what really makes the difference between success and being mediocre, or maybe not success at all.

We've got to look at, really, what does a real business look like? First of all, I think to be business it has to be not solely dependent on the dentist- owner. That doesn't mean that I'm telling dentists to stop doing dentistry and become some kind of corporate owner. Not at all. I want dentists to enjoy the practice of providing good care. You've got to think about how a real business runs.

Think about McDonald's, Evan, if you go into a McDonald's, you go up to the front counter and you say "hey could I speak to the owner? Is the owner back there? Is he mixing up shakes or running the fry basket or flipping burgers?" No. The owner is not doing that.

Now I'm not belittling, again, the function of what we do as dentists. No, you can't have a 16 or 17 year old doing dentistry, I get that. The point here is that a real business is run by owners who can be bigger than just being the technical person. It's about that mindset, not about what we do, but who we are.

The problem, again, is that we focus too much on the doing of the thing that is the dentistry, and there is no real leverage there. There's a point where all of the best clinical skills in the world and a high- end dentistry that you may be able to do and the comprehensive full care that you give to the patients who

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need that, that's wonderful but there's only so much of that you can do. There's not a point to really leverage that.

Evan: Yeah. The doctor that says that they can't just be the McDonald's because they need to be there to drill on teeth, I get it. They're a single practitioner, that's what they want to have, they don't want to have other people in there. I get that.

I do see single practitioners being able to be business owners to a degree that they have departments within their business, just like any store, think Best Buy or whatever store you want to think of. They have departments. Those departments actually have analyses done for their own profitability. Whether it be in the computer department, the appliance department, whatever it is, they all have their own metrics.

I'm find that my doctors who are the independent owners, who are the lone- wolf, so to speak, they have their (for example) hygiene department, and how is their hygiene department generating income, how are they generating value to the patient, how many referrals come through the hygiene program, some of them now even have hygienists where they have business cards they can hand out. When that patient comes in as, let's say you hand it out at a party, new patient comes in, who referred you? "Oh, the hygienist, really?"

That gives a lot of ideas, and you see who are our raving fans within the practice. Not just our raving fans that are patients. But who on our team is really out there bringing in new business? Then oftentimes, that person gets a bonus for bringing that patient in. Sometimes it's just a flat bonus, sometimes it's a bonus based upon what that patient has elected to do. Did they just come in for the discounted cleaning and X-Ray? Or are they now an integrative patient? They came in, they're now a patient, they've already made appointments for their second appointment, they have some dentistry that

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they need to have done, and they've brought in their spouse. That type of patient, I believe, is a much higher value. That hygienist or team member can be able to be a part of that win.

Think of it, I had a general dentist company said, "Evan, I'm going to pay my hygienist \$300 for that referral."

He asked me, he said "do you think that's a lot"

I said "Well I guess that depends."

He said "exactly. You know that patient needed 2 crowns. I could have paid my hygienist \$600 because that patient is not just going to get crowns. If they get crowns, there's a high chance that patient's sticking around because now they've got work that's warranted. They've got work that they don't want to just leave, they want to stay even more because they are protected with that practice."

My encouragement is that the owner- doctor can look at their team members, look at their front office manager, look at their assistant, and see them as miniature profit centers of how they can be either adding value to the patient, bringing new patients in.

I have an assistant that, she's continually talking to the patients chair-side while the doctor is in the other room, and asking the patient, what do you like about your smile? If there was one thing you could improve about your smile, what would it be? I find the amazing position that the patient doesn't feel the assistant doesn't have any invested interest in the practice growing, she's not paying for the Porsche outside, whatever the patients perceive as the dentist's, where the money is going.

The assistant is just someone that is curious and wants someone to be able to have the smile of their dreams. That's

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the kind of profit center that I want to encourage our doctors to look at and our practicing professionals. How can their team members be able to be a part of that leverage program that everybody could do their part. It's not just solely on the shoulders of the owner- doctor.

David: That's a tough part, Evan. We weren't trained in how to do that, we weren't trained really to be leaders of a business, we were trained to be the doers. Dentists today try to wear too many hats. That's how we were built, is to micro-manage and control it all. We felt like what our practices is built upon is really what we do. Coming back around full circle to what you said earlier about, it's more about who we are. We've got to be able to empower and delegate as you said, to build a culture so you have a team that you can rely on to do the things, really to do everything, in my opinion, that does not require a licensed dentist. The dentist can really focus on doing these treatments.

As you said there's these departments, these profit centers, that need to be enhanced. You can only do that by building that culture, leading that team, and giving them a piece of the knowledge in the fact that they are contributing. Not just being there as just an assistant or just a scheduler, or just a hygienist but how they're really part of the whole process.

In a real business, you've got to have others beside the one owner- dentists producing revenue. If you are a solo dentist right now then certainly empowering your hygienist to produce, but think about this too, Evan, I know you see this as often in practices you go to again, the doctor could be very gifted clinically, but if the team, the front office, the hygienist, the assistants are not also empowered to educate, inspire, and motivate, the patients to accept the well thought out and well prescribed treatment that they know the doctor can do, it all falls again back on the doctor. There's going to be a breakdown

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there, I don't care what kind of leap generation of marketing you have, it's going to break down there.

The doctor can still do dentistry, but I want the doctor to do dentistry on their own terms and not be forced into the position where it's all on them. The doctor, the dentist really needs to be spending more time working on their practice, and that again, involves leadership, marketing, sales, and operations.

In any business, Evan, there are really 3 main functions. One is sales and marketing. That would be the department that is focused on generating leads and converting those leads to actual sales. In dental practice, that's having patients come and be educated and accept the treatment that the doctor is very capable of doing.

Once we've done that we have to have a department head who handles operations. So operations is everything we do in our business or practice to provide the service, fulfill the service for a customer. We're taking care of our patients in that regard.

Thirdly, something that again many small business and professional practice owners don't do very well, is have a finance department. That's a department that manages the moneys flowing in and out of the business.

All 3 of these departments, the sales and marketing, the operations, and the finance have to be strong in order for the business or the practice to be viable and most productive and profitable.

I gave you one example, Evan, of a practice where the doctor is very capable of providing great treatment but they may not have a good sales and marketing department. If that's the case then you've got a bunch of very capable people standing around, waiting around for things to happen because they're not

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generating it on the front end. They're not building the brand, they're not building the lead generation referral program that brings those needy patients into the practice so they can provide that great treatment. That can be a problem.

Another problem could be one in which there is an investment on the front end for that branding and for the sales or marketing, so you've got new patient flow. Then there's a stalemate at the conversion process. The new patients come in, but no body's been trained or empowered to assist the doctor in presenting good treatment and educating and converting the patient to acceptance. So again, the doctor could be capable, but there's a breakdown there.

So all of these have to function together and I think all of our training, again, Evan, lead us to believe that as long as we were good and capable and ethical providers of good dental care, everything would just take care of itself. Not so today. Not at all.

Evan: Mm-hmm (affirmative). It's clear that it can seem like there's a lot of moving parts, my doctor would say there's just too much going on, yet I find that when the doctor can chunk it down into just categories, like you said: sales and marketing, operations, finance, that we can just look at one at a time. I think it's much like a patient walks in, they've got pain in their mouth and they're not quite sure where it's coming from, and it's an overwhelming thing. To the doc, I think they look in and go "okay, let's take it one unit at a time. Does this tooth hurt? Bite down. Let's check hot and cold."

It's very easy for them because that's their world, they understand. I believe that our clients tend to be fluent in this because they can just look at it, they want to look at it in quadrants, they want to look at it per unit, it really can be that easy. It's just that sometimes I feel it can be overwhelming when it's their first time.

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When we talk about the team members, I really think that if they just look at one person to be in charge of one major function within the business. My belief is that doctors should not be in charge of those major functions. That may get a lot of flak, I'm okay with that. They say bad press is good press. What I mean by that is if the doctor is in charge of something, then I think the team members at that point, just give up. They're like "okay, fine. The doctor handles that, they're in charge of that outfit." So they're not on board.

The doctor, I believe, should be able to oversee and take a look at a dashboard and see if the metrics are being met, he could be a leader with a vision. The function should be delegated to the trained people.

I say trained people. I don't mean just give over some team member that has no ability. Let's say, no math skills, or even people skills, let's give them a role that fits with their skillset, or let's give them the training to acquire that skillset before they have that major function. So just 1 person with 1 function. Now we can have other people being a part of supporting that function, but the ownership of that outcome is on 1 team member and it's reviewed weekly or daily. Depending upon what it is we're looking at, continually looking at it. Not looking at it at the end of the month and finding that we've had 20-something days of poor activity. All of a sudden "oops", we didn't take a look at it. We want to be able to course correct early enough.

Then there's what's called the integrative, all of the major departments cannot run independently of one another. There needs to be communication, or integration. This might be called the manager or COO. The person that has the unique ability to integrate the 3 major functions like we talked about: sales & marketing, operations, finance. How they are run day to day.

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This person is kind of the glue that holds the practice together or business together depending on what we're talking about. They not only lead but they manage and hold people accountable. This is so that the doc or the owner or whoever we're talking about is not always the bad girl/ bad guy. This is where someone who is already on the team is looking out for the people so it's not us/ the owners vs. them the team. It's team holding team accountable.

The last little, I would call the visionary. The visionary creates the culture. This person is the creative, kind of "ideator". The person that starts coming up with the ideas and the person, in my experience, is typically the owner or the founder. This could be a team member, but for the most part team members can change, we really want to make this as top- down as possible. Unless we have the owner transitioning out, this is typically going to be the owner/ founder.

The problem for most dentist owners is they don't understand this role, from my experience. They've never given themselves permission to elevate into this role because I think it takes a different mindset. A coach, and being part of the mass of my group to adopt the skills that are doing. This is what I think real owners do. They surround themselves with other entrepreneurs that are visionaries. It doesn't have to do anything necessarily with the industry that they're in.

It doesn't have to, if they're a veterinarian person, if they're a CPA, a dentist, whoever they are, I think it's good to hang out with other people. I think so, also to get out get out. Get out of the industry and just be around other business owners that may be creating culture that could be applied to their industry.

Ways that their team members looked forward to starting in the morning. They look forward to going into business. Bonus programs, trips that they take, team building exercises, huddles

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in the morning, whatever it is. Ways to be able to be that visionary. I just want to encourage our listeners to know that they can be a visionary. In my belief, they already are.

Unfortunately, the vision that they're capturing, if it's not purposeful unfortunately it's usually be accident. That accidental vision is usually one that is inconsistent. The team members, they even come to me and say "I don't know where we're going. At one point the doctor wants me this way, and then the other time they come back and we're going a totally different direction. They see that inconsistency, when they do, and a doctor does come up with a brilliant idea that they truly want to implement, the team goes "yeah, just wait until next week, doctor's going to come up with something new. We're not going to really do this, it will fizzle out, just wait."

If I'm tired of that, the team would know. Hey, doctor comes in, owner comes in, and whoever this person comes in, founder, says team we're doing this. The team has buy-in, the team would know, "hey, this is something our leader feels is good for us, and feels is good for our clients, this is going to be a win-win. Let's do this. Let's play full out." David, I just want to encourage our listeners to know that they could be this person, because they already are, they just need, I think to bring a little more clarity to where they want to go, and then go full out and have the team buy in around them.

David: Yeah, Evan. Having the clarity, as you said earlier, also giving themselves the permission to take on this role as a visionary and leader and take off so many of the hats that they're trying to wear and again, you said it, I'll say it too, I don't think you can adopt that by yourself, adopt that mindset, because it was kind of trained and honed into a certain viewpoint about who we are and what we do. A lot of doctors complain to me, to you, about corporate clinics.

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I'll say "well, you know, that certain clinic, they've got a bad reputation because they don't provide good care. We've heard bad things about the kind of dentistry they provide." That's probably true, and probably most of our independent doctors have much better skills than the doctors that are in corporate clinics, but the public doesn't know that. At least they don't know that going in.

So instead of whining about corporate or what they do poorly, why don't we look at what they do well? It's those 3 functions of any business. The sales and marketing, the operations, the finance. Every doctor and dentist we talk to can incorporate these, but it's got to be a change in mindset, empowering and building that culture. Once that's done, Evan, you and I have both seen doctors who totally transform their practices, and is so doing, they transform their lives. Their practice, their revenues, their profit, and they start to have that security and peace of mind that I think is really still possible today.

Corporate is going to be there, but I don't think it's a bad thing. It's been a differentiator. Our doctors can remain private and solo, they can compete in this arena, don't look at the things you don't like. Look at the things that are being done right and emulate those. It can be done. It's there for the taking and our goal is to empower all of our listeners to take that action.

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