

BENCHMARKS 2010

A STUDY OF WELL-MANAGED PRACTICES

Developing the leaders in your practice

VETERINARY ECONOMICS[®]

WT

Watchett Tumblin and Associates

- HIRING & COMPENSATION
- TEAM DEVELOPMENT
- CLIENT VALUE
- TACTICAL PLANNING
- SUCCESSION PLANNING

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Through a research partnership between Wutchiett Tumblin and Associates and *Veterinary Economics*, we bring you Benchmarks 2010: A Study of Well-Managed Practices, a must-have tool to help you improve your business. This introduction offers the goals and history of the study and explains what the results can mean for your practice.

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Here's an overview of the entire study, including strategies for developing leadership skills among team members and creating value for both clients and staff members so they stay with the practice long-term.

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Treat your team as your greatest asset, and your practice will thrive. This chapter helps you take a hard look at your hiring and compensation methods. With tips about how to be sure you're hiring the best candidate for the job and comparisons of salaries and wages by position, you'll be able to ensure your practice grows.

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Your veterinary practice isn't the only one in town—clients in your community have choices when it comes to where they get veterinary care for their pets. So find out who your clients are, what they want and need, and what their expectations are. Be sure they choose your practice because you've exceeded their expectations at every visit.

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Introduction

Behind the scenes

So you've just purchased this big book of data, now what do you do with it? First off, understand that this study is different from your usual collection of data. This is a Benchmarks study, which means it has nothing to do with across-the-board industry averages. Rather, this study takes a look at the best of the best: Well-Managed Practices. The idea is that by exploring how these top-notch performers generate profits, energize team members, and practice high-quality medicine, you'll be able to emulate their success. One critical key of success is these practices' ability to develop leaders. And as you'll see as you read through the pages of this study, the work to develop leaders within your practice affects every aspect of your business, from client service to succession planning.

For nearly two decades, Wutchiett Tumblin and Associates in Columbus, Ohio, has studied strong practices to learn how they succeed. This year, we've focused on how the practices hire and compensate employees, develop their teams, provide clients with value, and handle tactical and succession planning. And now, through a partnership with *Veterinary Economics*, we're bringing you Benchmarks 2010: A Study of Well-Managed Practices, a must-have tool as you build a strong practice.

To compile the data featured on the following pages, we asked 100 companion animal practice owners to complete a detailed electronic questionnaire. Led by Denise Tumblin, CPA, owner and president of Wutchiett Tumblin and Associates, a team of management consultants scrutinized each practice's data and strategies, then compiled the results into this book.

The makings of a Well-Managed Practice

So exactly what is a Well-Managed Practice? The 100 small animal practices we surveyed in

this report had to meet the following criteria:

» *Patients come first.* Practice owners in these hospitals never lose sight of the fact that they went into practice to promote veterinary patients' health and well-being.

» *The practice runs efficiently.* These veterinary practices earn enough profits to have a healthy amount of revenue left over after they pay variable and fixed costs, nondoctor staff compensation, and rent or mortgage expenses. Specifically, a Well-Managed Practice averages a profit-to-gross-revenue ratio of 34 percent to 42 percent. This means that a practice earning \$2 million in revenue would have at least \$680,000 left to pay owners and associates and to reinvest in the practice.

» *Practice owners enjoy practicing veterinary medicine.* In Well-Managed Practices, a love of the profession comes through in practice owners' attitudes toward their team members and clients. And when clients are happy, they stay with the practice.

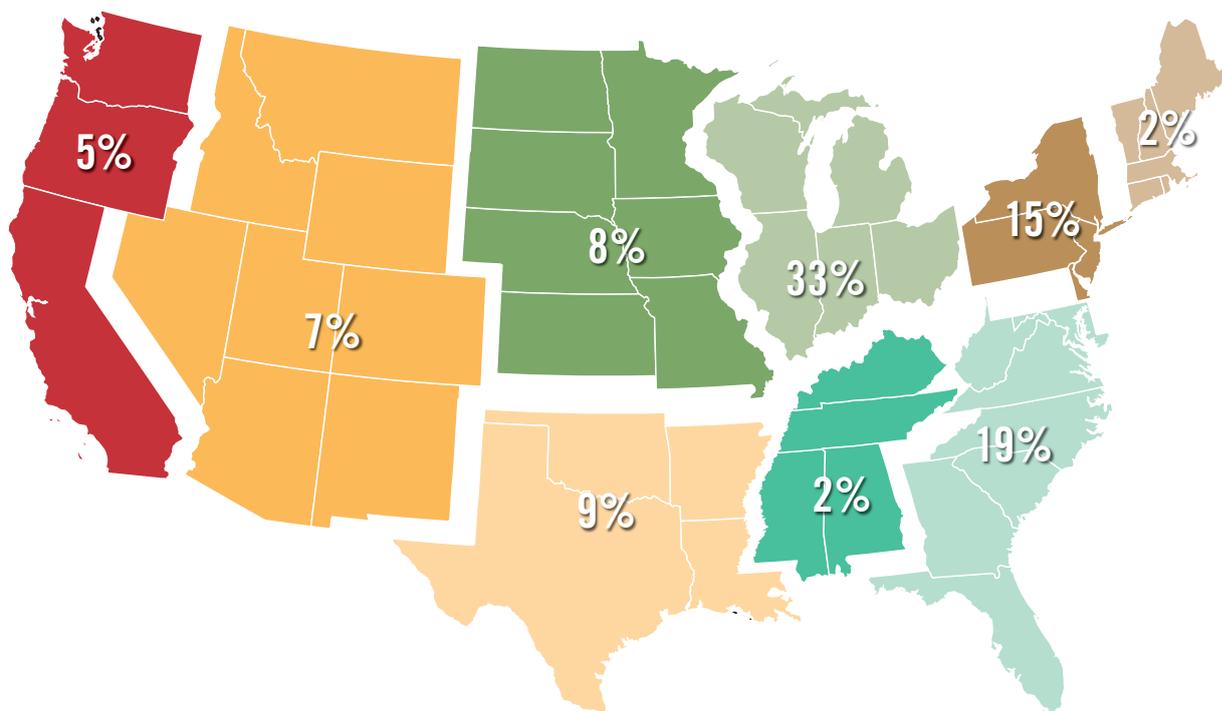
» *Practice owners foster a culture of respect.* Team members are people first and foremost, and Well-Managed Practice owners know they must show appreciation for associates and team members based on who they are rather than the roles they play. These practice owners value all their team members and strive to help them achieve their potential.

The numbers behind a Well-Managed Practice

On the following pages are charts and statistics to give you a behind-the-scenes look at the financial situations of Well-Managed Practices. Consider whether these benchmarks are true of your practice, and then read on to find more details on hiring and compensation, team development, client value, tactical planning, and succession planning—plus tools to help you get where you want to be in these areas.

Where are the Well-Managed Practices?

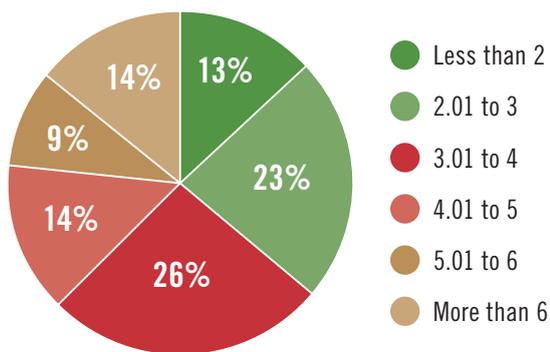
We surveyed 100 companion animal practices from across the United States. This map shows where the study participants are located by U.S. region.



Profile of a Well-Managed Practice

Participating practices ranged in size from fewer than two doctors to more than six doctors.

Number of doctors at the practice (Calculated based on full-time equivalent of 40 hours per week.)



Estimated average total compensation per practice owner for 2009

(Includes veterinary salary, management fee, return on investment, and benefits.)

\$233,100

How much do you expect to increase total practice owner compensation in 2010?

No increase	42%
1% to 3% increase	33%
3.1% to 6% increase	13%
6.1% to 9% increase	4%
More than 9% increase	8%

Revenue at Well-Managed Practices

Following are some details about 2009 revenue at participating veterinary hospitals.

Total practice revenue by percentile

25th percentile	\$1,156,125
50th percentile	\$1,816,800
75th percentile	\$2,681,563
Range	\$524,000 to \$13,481,700

Average revenue per doctor*

Doctor-provided (related to doctor-provided care)	\$534,500
Nondoctor-provided (no doctor involved with transaction)	\$61,900
Total	\$596,400

Total revenue per doctor*

Less than \$450,000	18%
\$450,001 to \$500,000	8%
\$500,001 to \$550,000	15%
\$550,001 to \$600,000	17%
\$600,001 to \$650,000	14%
\$650,001 to \$700,000	9%
More than \$700,000	19%

Staff-to-doctor ratio*

Manager	0.4
Receptionist/client care coordinator	1.1
Credentialed technician/patient care coordinator	1.0
Veterinary assistant	1.2
Ward attendant	0.4
Total	4.1

Number of transactions or invoices per doctor*

Doctor-provided (related to doctor-provided care)	3,002
Nondoctor-provided (no doctor involved with transaction; includes prescription refill provider)	2,581
Total	5,583

Average charge per transaction or invoice

Doctor-provided (related to doctor-provided care)	\$167
Nondoctor-provided (no doctor involved with transaction)	\$54
Prescription refill provider	\$50

Revenue by service category

Medical services (as a percentage of total revenue)	67%
Medical products (as a percentage of total revenue)	23%
Nonmedical revenue (as a percentage of total revenue)	10%

*Based on full-time equivalent of 40 hours per week; medical hours only.

Revenue compared to previous year

Well-Managed Practices saw a decline in total revenue of about 1 percent when comparing Benchmarks 2009 data to Benchmarks 2010, and the number of doctor transactions was down about 8 percent.

	BENCHMARKS 2009	BENCHMARKS 2010
Medical revenue	\$535,100	\$534,500
Other revenue	\$70,600	\$61,900
Total revenue	\$605,700	\$596,400
Doctor transactions	3,258	3,002
Nondoctor transactions	2,394	2,581
Total transactions	5,652	5,583

Staffing levels also declined slightly. The staff-to-doctor ratio is now 4.1 full-time equivalents with the primary change occurring in the credentialed technician area.

	BENCHMARKS 2009	BENCHMARKS 2010
Manager	0.4	0.4
Receptionist/client care coordinator	1.2	1.1
Credentialed technician/patient care coordinator	1.4	1.0
Veterinary assistant	1.1	1.2
Ward attendant	0.4	0.4
Total staff to doctor ratio	4.5	4.1

Overall, Well-Managed Practices survived the recession relatively unscathed, with a 1 percent decline in revenue and a 7 percent reduction in staff. Well-Managed Practices survived by closely monitoring inventory, reducing overtime, cutting back staff hours, and continuing to strengthen client relationships through education, proactive scheduling, and a focus on compliance with necessary healthcare.

Why we study Well-Managed Practices

Here are our objectives for gathering this information and sharing it with the profession:

1 Track important financial indicators and share them with the profession. We report the numbers so you can set proactive, achievable financial goals for your practice.

2 Uncover trends in veterinary practice. Study participants face the same challenges you do, and gathering detailed information about their finances from year to year brings new trends to light quickly. Armed with this information, we provide strategies to help you address new challenges—before your practice suffers.

3 Share tactics that help you improve your standard of living and reinvest more money into your hospital. In the pages that follow, you'll find a detailed report of the complete study findings, including easy-to-read charts and graphs that show hiring and compensation, team development, client value, tactical planning, and succession planning data, along with tools to assist you in managing your practice's financial health.

So how does your practice compare? Benchmarks 2010 includes many tools to make it easy for you to find out. We invite you to use the study results, recommendations from the practices in the trenches, and management tools on the following pages as you position your practice for continued success in the years to come.

Executive summary

Any business that wants to prosper and grow must have effective and purposeful leadership in place. And what exactly does “effective leadership” mean? A leader is someone who’s capable of initiating positive change and improving processes, situations, and relationships. Leaders help a veterinary practice and its team achieve results.

Benchmarks 2010: A Study of Well-Managed Practices by Wutchiett Tumblin and Associates and *Veterinary Economics* sheds light on how some of the top practices across the country thrive. In the pages that follow we explore strategies for developing leadership

skills among team members—a crucial component of getting struggling practices back on track during tough financial times. We also address how you can create value for both clients and staff members so they stay with the practice long-term.

Normally the Benchmarks studies focus on survey results from practice owners. This year, we also solicited opinions and insights from associate veterinarians and staff members at Well-Managed Practices. Their thoughtful responses may surprise you. Here’s a sampling of what you’ll find in each chapter.

CHAPTER 1

Hiring and compensation

Well-Managed Practices focus on creating an environment where people are the top priority and staff retention is an integral part of the culture. Retention starts during the hiring process. To find efficient, effective, and productive staff members who are a good fit with your practice, you must have a clear picture of what you’re seeking and what the potential

employee wants. Then use a consistent process every time you hire to ensure a good match.

The management recommendations and tools included in Chapter 1 will help you fine-tune your hiring process. You’ll also find the latest data on compensation and benefits for all positions in your veterinary practice. Here are some highlights:

Median salary for associate veterinarians by years with practice

Less than 1 year	\$66,400
1 to 2.9 years	\$81,600
3 to 5.9 years	\$80,000
6 to 10.9 years	\$99,600
11 to 15.9 years	\$89,200
More than 16 years	\$96,500

The annual monetary value of other benefits provided to associate veterinarians—including health and liability insurance, continuing educa-

tion, dues and licenses, and retirement contributions—ranged from \$8,500 to \$10,500 at Well-Managed Practices.

Median hourly wage for team members by years with practice

	2.9 YEARS OR LESS	3 TO 5.9 YEARS	6 YEARS OR MORE
Hospital administrator	\$33.90	\$49.23	\$27.50
Practice manager	\$21.56	\$21.65	\$22.65
Office manager	\$18.00	\$19.25	\$19.65
Client care coordinator	\$13.25	\$15.75	\$16.88
Receptionist	\$11.00	\$12.50	\$14.50
Patient care coordinator	\$13.50	\$16.56	\$18.00
Credentialed technician	\$15.50	\$15.77	\$17.76
Veterinary assistant	\$11.00	\$12.13	\$13.30
Ward attendant	\$8.00	\$9.55	\$11.00

Most of the practices surveyed expect to make little or no change to hourly staff rates in 2010.

The majority of management team members in Well-Managed Practices are long-term employees. Nearly 70 percent of hospital administrators, practice managers, office managers, and team leaders have been with their practice for

more than five years. The highest turnover rates for nonmanagement positions were: receptionists (26 percent), veterinary assistants (21 percent), and ward attendants (44 percent). The data assumes that any employee who had been with the practice less than one year was a replacement for someone who had left the practice.

CHAPTER 2

Team development

While Chapter 1 focuses on hiring the ideal candidate, Chapter 2 guides you through what to do next. The true test of your willingness to invest in your staff is your dedication to creating an effective orientation and training program that encourages mentorship and teaches leadership and technical skills. And regular feedback is part of the program. Well-Managed Practices provide their teams with daily positive reinforcement and constructive correction, regular doctor and staff meetings, and timely evaluations.

Employees tell us that appreciation of the work they do is most important to them in terms of personal job satisfaction, followed closely by job security, good working conditions, and a

pleasant work environment. Happily, a high percentage of associates and staff in Well-Managed Practices report that they feel appreciated for their work and are satisfied with their feedback. However, an equally high percentage report that there's room for improvement, particularly with their employer's feedback.

The guidelines and management tools in Chapter 2 are just what you need if it's time to overhaul your orientation and training program, if your program doesn't exist yet, or if you're not sure how to create a mentorship program. And if your evaluation process doesn't net the results you'd like, there are tools to help you in that area as well. Here are some highlights:

In which of the following areas would you like additional training or mentoring?

(Respondents ranked the following in order of importance.)

	ASSOCIATES	STAFF MEMBERS
Communication and relationship skills	1	1
Innovative ideas	2	3
Focus and organization	3	2
Enthusiasm and optimism about work	4	7
Being a reliable, professional coworker	5	5
Respect for clients and coworkers	6	4
Ethical leadership	7	6
Work ethic	8	8

Please indicate your current level of job satisfaction.

	PRACTICE OWNERS	ASSOCIATES	STAFF MEMBERS
Very satisfied	59%	42%	41%
Somewhat satisfied	31%	54%	50%
Somewhat dissatisfied	10%	4%	8%
Very dissatisfied	0%	0%	1%

What factors contribute to your job dissatisfaction? (Respondents checked all that applied.)

	PRACTICE OWNERS	ASSOCIATES	STAFF MEMBERS
Long or excessive hours	37%	36%	11%
Burnout	46%	37%	32%
Low compensation and benefits	21%	22%	36%
Limited personal time	42%	30%	15%
Working environment	20%	36%	29%
Lack of respect from or among coworkers	31%	35%	48%

In addition, practice owners tell us that their two biggest challenges related to staff development are (1) the cost of hiring, training

(including continuing education), and retaining employees, and (2) improving attitudes and motivation levels.

CHAPTER 3

Client value

Your clients may not realize it, but their spending decisions are often influenced by first and last impressions, convenience, friendliness, familiarity, and fear. Price can certainly influence spending decisions, but lower prices may actually create the impression that your practice is second-rate. Many veterinary practices think clients are buying expertise, but most clients can't truly evaluate your knowledge or skills.

What clients can tell is if the relationship is good and phone calls are returned. In fact, clients are experts at knowing whether or not they feel valued. In Chapter 3, you'll learn why it's important to become a wholehearted listener and how to truly hear what people tell you. It's a talent many people don't take the time to develop, but doing so creates rapport that encourages lifelong relationships. Owners in Well-Managed Practices tell us that clients most appreciate their:

- » quality of care
- » personalized touch
- » compassion and friendliness
- » convenience.

According to this year's study, Well-Managed Practice owners, associates, and staff members all agree—better communication strengthens the effectiveness of their teamwork and their ability to enhance the clients' and employees' perception of value.

Clients have numerous options for their pets' veterinary care, so it's important that your practice stands out in their mind. Chances are, your practice has competition just up the street and around the corner. The difference between your practice and the others in your neighborhood is important and clients need to know it. So in Chapter 3, you'll also learn how to reinforce your brand in a way that creates value for clients and employees.

CHAPTER 4

Tactical planning

Developing leaders and creating value for clients requires consistent, habitual planning. In order to achieve this, Well-Managed Practices set aside time each year for a tactical meeting to develop goals for the future. They use this time to reflect on their accomplishments and evaluate their practice's strengths, challenges, and opportunities. Then, they develop an action plan that details the steps they must accomplish to address the challenges, tap into the opportunities, and achieve their goals. Chapter 4 gives you the tools to do this in your own practice.

In our research, we found that most Well-Managed Practices include owners, hospital administrators, and practice managers in their annual tactical planning meeting, and 46 percent also include their associate veterinarians. Plus, practice owners and managers routinely discuss their action plan during staff meetings and incorporate necessary elements into their ongoing education programs to successfully implement the plan.

If you're not holding tactical meetings on a regular basis, visit the recommendations and tools in Chapter 4 for tips on getting started.

CHAPTER 5

Succession planning

Even if you think you're years away from retirement, you must identify who'll buy your practice early on. Because succession planning is a multifaceted process that ideally begins years before you're ready to sell your practice, delaying thinking about it will only delay your plans.

The first step in the process entails determining your time frame for financial independence—the point when you have sufficient investment income to fund the lifestyle you desire, when you can live solely off your investment returns and not have to depend on work for a steady paycheck. What role does your practice play in achieving your investment goals and what does it need to be worth? Chapter 5 helps you figure that out.

Once you've set a target, you'll need to value your practice every three to four years to see where you stand in relation to your goals.

Based on the results, you'll create an action plan to prioritize the changes that will improve your value as you work toward your goal.

Will you sell to an existing or future associate? Or is it more likely that you'll sell to an outside practitioner or corporate consolidator? If selling your practice is several years down the road, you probably don't know who your specific buyer is yet. But it's in your best interest to think about your options now.

Sixty-nine percent of 2010 study participants plan to sell to a partner or current or future associate. For most, the time frame is five or more years into the future. If you prefer an internal sale and have a candidate in mind, the sooner you begin mentoring him or her for leadership the better. It's never too soon to start planning your exit. Use the recommendations and management tools in Chapter 5 to get started.

Let's get started

All of this is just a sampling of what you'll find in *Benchmarks 2010: A Study of Well-Managed Practices*. We invite you to dive in, study the findings, and leverage the tools to

make your practice the best it can be, enhance your clients' and employees' perception of value, and develop your next generation of leaders. It's all waiting for you in the pages ahead.