

**David Rajczak**  
B Comm MBA

**Angela Spinks**  
BSc

# Dental Practice Business Planning: A Template to Get You Started

**T**his third and final article in the series provides a template to use for developing a dental practice business plan that incorporates both the career-stage considerations (“Personal Goals and Practice Objectives: The First Steps...,” *Ontario Dentist*, September 2018) and practice management strategies previously identified (“Building a Successful Dental Practice,” *Ontario Dentist*, November 2018).

## Why is a business plan essential for a dental practice?

A business plan is a management tool to help track, monitor and evaluate the progress of a practice. When you use one to establish timelines and milestones, you can gauge your progress against your original projections for an objective evaluation of practice accomplishments. It becomes a living document that can be modified as the dental team gains knowledge and experience, through the years of the practice.

The business plan is also an essential marketing document, despite many dentists’ reluctance to “market” their practices. Whether dentists are approaching lenders to finance their first practice, attract associates or potential partners to join the practice, position the practice for sale, or attract and retain patients, the business plan is necessary to demonstrate to stakeholders that the practice is healthy and sustainable. In summary, your dental practice should be run like any other business and supported by a solid plan that facilitates the achievement of your clinical goals, such as specialty expertise or advancement in treatment techniques.

### Components of a business plan:

<b>1. Executive summary</b>	The executive summary describes what makes the practice unique and the plans in place to ensure practice viability and sustainability. It includes summaries and/or components of the following comprehensive plans:
<b>2. Financial plan</b>	A detailed set of financials, costs and projections over time.
<b>3. Marketing plan</b>	A profile of the desired patients and what activities are planned to attract and retain them.
<b>4. Operations plan</b>	The management systems to be employed (including practice monitoring) to ensure practice objectives are met
<b>5. Human resources plan</b>	Details on hiring, training, motivating and retaining key team members.

Due to space restrictions, we will describe the components of the executive summary and provide overviews of the remaining plans listed above.

## 1. Executive summary (business overview)

The business overview should include brief summaries of:

- **The legal structure of the practice:** Determine if the practice setup is a sole proprietorship, corporation or partnership (include percentage ownership of each partner, and partner buy-out provisions in the event of life changes). Also list professional business resources such as attorneys, accountants, and technology and practice-management experts who form the practice support team.

- **Services and products provided and the Unique Value Proposition (UVP) to be emphasized to the target market:** Determine and list the primary dental services provided and whether dental specialties will be performed in-house or referred out. What is the practice's UVP? For instance, if starting a family practice in an area already served successfully by a similar practice, what will draw patients to your practice?
- **Overall practice goals listed by priority:** Start with the mission statement and then the specific goals that support the mission statement (refer to the first article in this series, OD, September 2018).
- **Market analysis:** A summary of the dental-industry landscape, patient demographics and the practice's ability to meet the needs of the targeted geographical region.
- **Marketing strategy:** A summary of the specific marketing strategies employed in response to the market analysis. Specific details should be provided in the marketing plan
- **Break-even point:** A component of the financial plan, this is the production level that meets the monthly overhead, debts and dentist's desired salary; essentially it is the current viability of a practice.
- **Operations plan summary:** Management systems in place for practice growth and productivity, financial control and customer service. More details should be provided in the operations plan
- **Organizational/staffing structure:** Number of staff and a brief description of each role. Personnel needs should be forecast at the start of the plan and six, 12 and 24 months into the future with strategies for compensation, recruiting, hiring, training, and performance management. More details should be provided in the human resources plan.

## 2. Financial analysis plan

For new dental offices, the bulk of the financial plan and reporting will be based on 12- to 24-month projections, rather than current performance. These projections may be required to justify a loan application for operating expenses while the practice is revenue-challenged during start-up. For more established practices, the financial reporting should emphasize the current state of the practice, where accounting ratios can be used as benchmarks and an impetus for informed decision-making.

In either case, the financial section of the plan should include a projected income and cash-flow forecast, a practice-income statement and a balance sheet. Seasonal variations should also be taken into account, if applicable. The dentist (and preferably the office

manager as well) should have an understanding of basic accounting concepts and ratios and how to obtain them (either from the dental practice's accounting firm and/or practice management system).

Expense management is just as important a consideration when developing the financial plan. Please refer to the sections "Reducing input costs" and "Practice expense guidelines for cost containment" in the second article of this series (OD, November 2018).

## 3. Marketing plan

With respect to dental practices, marketing is the ability to communicate effectively to current and potential patients regarding what services are available and why they would be beneficial. At the same time, any messaging from the dental practice must take into consideration:

- industry landscape: a description of the overall financial position and performance of the dental marketplace in the target geographical region;
- patient demographics of target market: income levels, age distribution and density of potential patients in the targeted geographical region;
- the dental practice landscape: the number of dental practices offering similar services targeting the same patient profile, and an estimate of each practice's patient loyalty;
- practice strengths and weaknesses: recognition of the practice's strengths to better take advantage of market opportunities, and identification of threats to mitigate the impact of the practice's weaknesses (SWOT Analysis).

The marketing strategy should also be based on developing visibility and awareness among prospective patients. The three components of practice marketing to achieve this are:

- internal marketing
- external marketing
- customer service.

Internal marketing includes the use of effective patient/staff communication, brochures, posters, collateral materials, and newsletters. External marketing includes Yellow Pages, advertising, direct mail, email (note that Canadian Anti-Spam Law prohibits sending emails to non-consenting recipients), website development, social media and other efforts such as promotional events. Evidence suggests that many external marketing efforts fail to generate the desired results for dentists, while costing a great deal of time and money. Customer service marketing really means creating a superior patient experience. It encompasses almost every area of the practice, including pre- and post-visit phone calls, scheduling practices, case presentation and patient-incentive referral programs, and can have the most impact when done well.

#### 4. Operations plan

This section is the “nuts and bolts” of the practice — the operational systems that are implemented to run the practice, meet practice objectives and measure effectiveness.

Operations play a significant role in determining if a practice reaches its goals for improved production, decreased stress and increased profitability. Without well-managed systems that are data driven, the dentist has little hope that all practice-objective targets will be met and patients will be happy with the service. Thus, the operations level is where practice metrics can have the most positive impact on the dental practice. This involves the establishment of relevant practice objectives whose achievement can be validated when the corresponding key performance indicator (KPI) targets are reached.

#### 5. Human resources plan

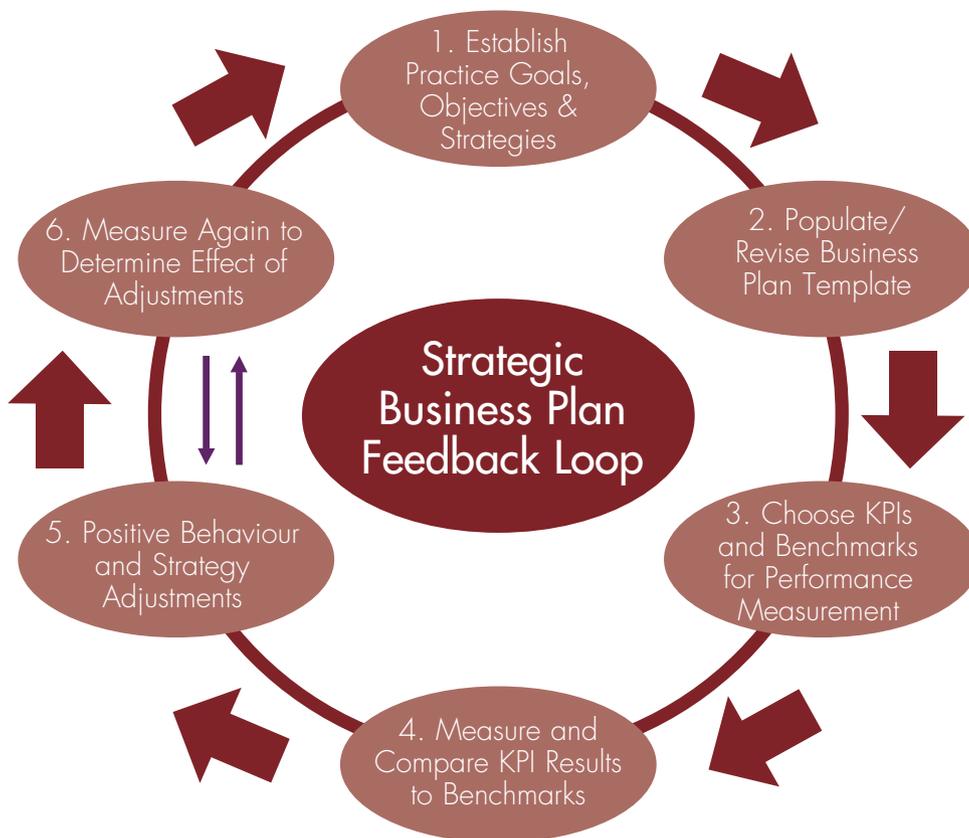
The dental practice human resources plan should be a generalized approach to developing and maintaining an excellent staff and maximizing their contributions to the practice. Most dentists would like to compensate their teams well, but working in a dental practice has limited income potential for most individual staff members. While team members are treated professionally and with respect in most offices, those who look forward to long-term careers in dental practices are motivated by more than money — for instance career advancement and recognition for one’s contributions to a practice are also important factors.

Building a high-powered team requires leadership, documented systems and training. As both business owner and dentist, you are viewed by staff as the practice’s leader. Successful leaders are guided by a vision to develop and empower their team members through structured guidance, continuing education, coaching and delegation.

**Operational objectives, KPIs and targets**

Operational objective	Key performance indicator (KPI)	Typical target
Practice sustainability	<b>Active patients:</b> number of patients seen in the last 18 months	1500 per dentist/hygiene team
Practice retention	<b>Patient retention rate:</b> percentage of active patients at the beginning of the year considered active at the end of the year	> 95%
Recall effectiveness	<b>Active recall patients:</b> percentage of active patients on regular recall	> 90%
Front-desk patient communication	<b>Prospect conversion ratio:</b> percentage of prospects (incoming calls/enquiries) who book/show up for first appointment	> 50%
Patient growth	<b>Net new patients:</b> annual percentage growth of new patients less lost patients	> 10%/yr. early stage practice 5-10%/yr. middle stage 0-5%/yr. mature practice
Patient referrals	<b>Referral ratio:</b> percentage of patients who refer	Strive for at least 10%
Production growth	<b>Average revenue/patient/year</b> <b>Production/hour/day/year</b>	Dependent on practice profile
Maximized collections	<b>Bad debt expense:</b> (write-offs as a percentage of receivables) <b>Receivables over 60 days due</b> <b>Percentage of fees paid at time of appointment</b>	1-2% of receivables max. < 20% of total receivables > 80% of billed fees
Scheduling proficiency	<b>Down time:</b> (percentage of unused operatory time) <b>Short-notice cancellations/missed appointments</b>	8-10% max. < 1% of total booked appointments
Accepted treatment	Percentage of treatment plans accepted and completed	75%-90%
Patient satisfaction	<b>Appointment wait time:</b> (total time patient is unaccompanied by the dental team) <b>Patient complaint rate</b>	5 minutes waiting room; 5 minutes operatory < 1% of active patients/year

**Business plan components summary:**



### Strategic business plan feedback loop and conclusion

A dental office business plan is not a static document that is to be filed away once completed, but rather one that serves as a feedback tool for positive change and continual practice improvement. It should be referenced and adjusted in response to changes in the dental landscape as well as to shifting practice goals and objectives as the dental practice matures.

It is also important to choose relevant KPIs and benchmarks to objectively measure the success of the plan, particularly the operations component. Gaps between the desired benchmarks and actual results indicate that behavioural and operational adjustments are necessary to get the plan back on track. If results do not improve, it may be necessary to re-establish practice goals and objectives and make corresponding adjustments to the business plan. The graph on page 55 illustrates the strategic business plan feedback loop just described.

In conclusion, the dental practice business plan template simplifies the strategic planning process and ensures

that the essential components of the plan are not missed or neglected. Treating the plan as a living document that is continually adjusted and adhered to as factors change will ensure a higher probability of achieving the desired level of practice success. **OD**



*David Rajczak, founder of DJR Dental Consulting, is a business development, software and technology expert with two decades of experience within the dental industry. David holds a Bachelor of Commerce degree and an MBA from McMaster University in Hamilton, Ont. David can be reached at [drajczak@aol.com](mailto:drajczak@aol.com).*



*Angela Spinks is CEO of ABELSoft Inc. Her years of experience in the health-care industry include senior roles in business development targeting health-care software markets in North America. Angela regularly publishes articles and white papers on the company's blog. She holds a Bachelor of Science degree from McMaster University in Hamilton, Ont. Angela can be reached at [AngelaS@ABELSoft.com](mailto:AngelaS@ABELSoft.com).*

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