

## Running on empty: Operating your practice in the economic downturn

Marc B Cooper

### Abstract

**The economy today shows very little resemblance to the economy of last year or even last month. A rise in the cost of doing business, we have learned to adjust. New technologies and the higher costs to deliver them, we have been able to adapt. But a seismic shift in the country's core economy produces totally unknown conditions. How do we respond? Every dental practice will at some level be impacted. Some practices only slightly. Some will be walloped. Some will be hit quickly. For some practices it will be a slow descent. But be sure, every dental practice will be impacted. Survival for most is assured, but prosperity and growth through hard times requires mastery.**

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### Address of author:

Dr. Marc Cooper  
The Mastery Company  
PO Box 1806  
Woodinville, WA 98072  
Ph. 425 806-8830  
[www.MasteryCompany.com](http://www.MasteryCompany.com)

### Down and out in dental practice

When it rains, you wear a raincoat. When it snows, you wear a heavy, waterproof winter coat. When you're in Hawaii, you wear shorts and a t-shirt. You behave appropriate to the conditions you are in. Why don't you do the same thing in your practice?

You must face the fact you need to operate consistent with the *operating state* your practice is in. When the operating state changes you need to change with it.

Some of you are in denial. Some of you are in hope – you hope this is just a quickly passing phase. Wake up! When unemployment is at 6.1%, when gas is \$4 a gallon, when you walk out of the grocery store with five items costing you \$38, when the stock market is in the tank, when the government bails out Wall Street, when people are freaked-out about the future and their financial security, you aren't in the same world you were in a year ago or even two weeks ago. Whether it's quickly passing or prolonged, it doesn't matter. You need to think and act appropriate to your practice's current operating state.

Ask yourself: Are you operating with and inside integrity to the operating state you are in? Or are you operating with the hope that in the next few days, your business will magically turn around, new patients will again flood the office, and they will all accept the higher utilization treatment plans you offer? Dream on.

Sure, you're real good managing and leading when things are going great, but how about now, when the practice is in a slump? How

do you manage when new patients are down 50%? How do you lead now when your collections and production are down 40%? How do you lead and manage when the staff is anxious about their financial and family welfare?

You are operating in one of four operating states. These operating states are fluid and you can pass back and forth between them.

**FORMULATION ← → CONCENTRATION ← → MOMENTUM ← → STABILITY**

*Formulation*

This is the operating state when you shape (or reshape) your identity. You are engaged in the question: Who are we? What do we do? How do we do it? The end of this stage is when you can make, and have accepted, a legitimate offer to the market and they say "Yes."

When you first began your practice, Formulation was your operating state. And as you grew and became more successful, you upgraded this operating state from time to time. Now, with your Cerec machine, CatScan, digital radiography, \$24,000 of implant stuff, 3,000 square feet of luxurious, spacious operatories, as well as digital imaging and sophisticated treatment plans, you have a particular identity, a particular way of doing business, and particular image. Yes, you are formulated in a way that expresses a world of never-ending abundance.

*Concentration*

In this operating state everything is concentrated. Everything you do is strenuous, intense, and rigorous. Remember your first two or three years in practice. You were totally resolute. You had no room for play. Lots of effort in, not a lot of results out. Nose to the grindstone. You had to tough it out. Short-term goals.

Short-term requests and promises. Worried about money all the time.

In the beginning of Concentration, you put in "10" but only got out "1." And slowly, over time, you begin to put 10 in and soon got 2 out, then 3 out then 5 out, then 7 out and at some point you put 10 in and got 10 out. By the time you hit 10 in and 10 out, your systems and structures were all working.

You were in a good mood. Practice was a whole lot easier. You felt at the top of your game. You had achieved the next operating state, Momentum.

*Momentum*

In this operating state you feel like you've got it made. You put 10 in, but now get 12 back. Things are magical. It doesn't take much effort to produce results. No open exam appointments for five weeks, hygiene is fully booked, and you're doing two crowns a day routinely and have five big cases going. You're totally into your CE and strongly focused on upgrading your dentistry. Yea man, life is good.

Sure, staff is hitting you up for raises, but you can afford it. You might be a little over-staffed, but you can easily make it up with more production. Yes, this is why you went into practice. And you mistakenly believe it will last forever.

Then, over time, new patient numbers began to drop. Cancellations started showing up in the hygiene column at a higher frequency. People weren't saying "Yes" to all your treatment plans. Payables grew. Staff was not getting along very well. Did you shift your management? Did you alter your

leadership? Did you manage your cash flow differently? Did you alter your marketing, case presentation? Or did you continue to operate your practice on yesterday's news. Hello - business as usual won't deliver the result!

You can't manage your practice inconsistent with the operating state. When you manage your practice like it's in Momentum and it's really in Concentration, you continue to descend downward into Concentration. And when moving in reverse, the edge between Formulation and Concentration can be turbulent, at best. And some of you are definitely headed in that direction.

Ask Yourself: Do I need to Reformulate myself to succeed in the current conditions? Do I need to offer single units rather than a quadrant of crowns? Or am I willing to operate in Concentration until the bleeding stops?

You are the decider.

### **Word to World and World to Word**

In *Down and Out in Dental Practice* we asserted a state change was occurring in dentistry caused by the current financial crisis. Not every dentist will be affected, but many will. Most practices have been operating in Momentum these past few years. Some practices recently have been knocked back into the operating state of Concentration. More will in the coming months. It is strongly recommended that dentists manage their business consistent with the operating state they are in, not the one they have been in or hope to be in.

***I'm really slow.***

***New patients are way down.***

***Patients aren't accepting my treatment plans.***

***I have more cancellations,  
more no shows, more people  
delaying treatment.***

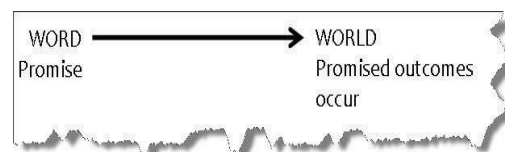
Sound familiar? What do you do?

Give your word and keep it.

What's particularly important in managing in the Concentration state, what is critical, is your ability to give your word and keep it. It's straightforward, when you are impeccable with your word, you'll have the most power to brave the storm.

But in business, giving and keeping your word is always conditional. For example, making a promise to double your production next month is pure fantasy. What's occurring in the world is having a direct and fundamental impact on your ability to give and keep your word.

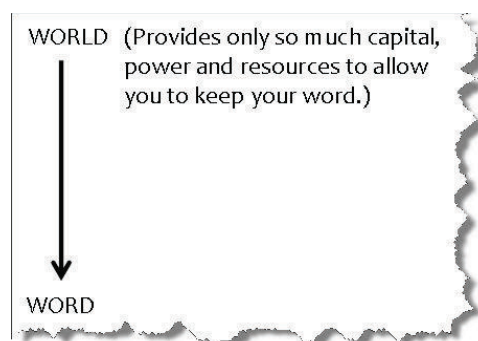
You make a promise, a commitment, to make a certain future happen in the world. The promise becomes an overriding driving force, pushing you to honour yourself as your word. You do what you have to in order to keep your promise.



But for you to be impeccable in giving and keeping your word, your promise needs to be consistent with the current conditions in the world. A commitment, a promise, generates effective action, but if the conditions are not available in the world for you to manifest your word, it won't happen no matter how sincere you are.

What's occurring in the world has a direct influence on how "fulfill-able" your promise is. Promising that 20 new full mouth reconstruction cases will walk through your door next week will not be supported by what's taking place in the world your practice now exists.

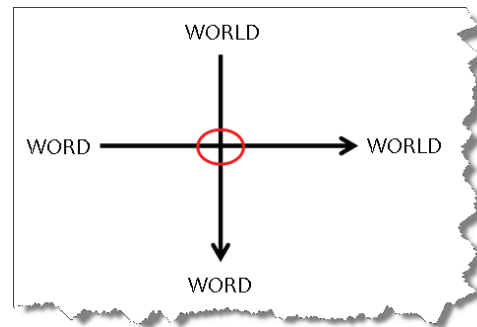
The power of your word is tempered by what exists in the world. The way your world is, and who you are in the world, does not have unlimited capital, authority and resources. The elements and conditions in the world need to be honestly considered for you to give your word and keep it.



It is obvious today that people are scared, insecure about their financial position and uncertain about their future. How long this will last, no one knows. But it is true today and that's where your practice operates.

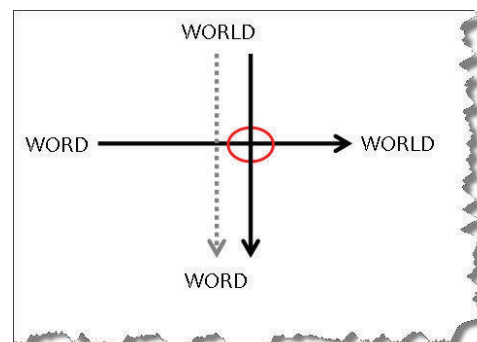
Given this world, you must recognize you can't give and keep your word as you did before. You need to be consistent with today's reality. Last year you could promise so many crowns per day and the world would have supported that promise. Now you need to strongly focus on your hygiene return rate, decrease no shows, decrease cancellations.

Where Word to World and World to Word intersect, is where promises are made and kept.



When the world changes, the promises of the past no longer have authority. Dentists who see the world has shifted should make promises consistent with the current environment. Sure, they should stretch themselves in their promises – not make them slam dunks – but their promises should be grounded in the today's reality, not yesterday's.

When the World changes, your Word needs to change.



So, if your practice is in a World that's changed, and your word no longer has power, it's time to get straight on the new reality and make legitimate promises that you can keep. As your integrity around making legitimate promises grows, so will your results. Raise your level of integrity and results will improve along with it. Continue pretending that the World is the same as it was three years ago and your results will continue to weaken.

### Recalibrate your word

There is an indisputable equation:

#### **INTEGRITY = RESULTS**

It is incontrovertible, the higher the degree of integrity, the higher the level of results. When integrity plummets, so do results.

When conditions change dramatically, the world can no longer support your word. If you can't give your word and keep it, since integrity is crucial, you must adjust your word to fit the world in order to sustain your integrity.

Concurrently, when the world changes it also alters the operating state of your practice. When the operating state changes, it necessitates adjusting your management to fit the state you are currently operating within.

Many of you are now in the operating state of Concentration. Previously, you were in the higher operating state of Momentum. In Momentum, your management could be more good-natured. Worries and stress were almost nonexistent since results were occurring with little effort. You were on top of your game, you had a sense of abundance. You were more generous both with your money and your acknowledgements. All was well. But in Concentration everything is different.

When you function in the operating state of Concentration, your sense of abundance wanes and you fall into an unsettling sense of scarcity. You consider your survival at stake. You feel anxious, uncertain, deeply concerned about the future. Your generosity evaporates. Your worries about money become dominant. Your feelings of fear, doubt and uncertainty greatly increase in frequency.

When you were in Momentum and the economic picture was rosy, the temporality of your promises were formulated and delivered on a

monthly or even a quarterly basis. This month, we can promise 22 new patients, \$110,000 in production and \$97,000 in collection. Well, that kind of promise will not work in today's world. You are not in Momentum any more, you are in Concentration.

In Concentration your management must change to be consistent with the operating state. Everything is concentrated. There is no inertia. Your flywheel has slowed way down and now requires a lot more energy to turn. Results don't happen easily, you need to carve out the results. No room for play. Nose to the grind stone. Lots of urgency. No room for soap operas, drama or light banter. Focus. Driving intention. Do what you say, when you say.

In Concentration, everything must go back into your own hands. You have to take over and be in charge. You have got to be intolerant of excuses. No room for justifications, reason, stories, pretence or hypocrisy. You are required to be rigorous and demand people keep their word.

Everyone on time. Operatories set and ready to go – on time. Trays complete. All patients confirmed. Lab cases managed and back on time. Six patients asked to refer new patients.

You are obligated to manage yourself and your staff so the practice's word is impeccable. In concentration, you need to be tough, resilient, unbending.

In Concentration, the entire nature and scope of promises (commitments) change. In Concentration, you make very short term promises and very short term requests. That's all your world can handle. Daily goals, not weekly. If integrity is the key, then management is about having people make and keep short-term commitments. That keeps the focus on today. And as people give and keep their word on fulfilling these

short-term, daily promises, it raises the level of integrity and allows you to produce the necessary results.

In Concentration, you're the one that makes the requests, who elicits the promises. You're the one that has to drive the practice now. So make specific, clear requests.

*"I request you call six people on the pending list, reach two directly and schedule one for an appointment today by 3:00 PM. Will you do that?"*

If things are fine in your practice, disregard this article. But my recommendation is if your practice is beginning to have difficulty producing results in new patients and revenues, pay attention. Some consultants are telling you to "recession proof" your practice, as though business-as-usual done better will work. Maybe it will. Maybe it won't. But rather than support dentists in being in denial, it seems better pressing them to operate consistent with where their practices are operating right now, not yesterday or even tomorrow. The world has abruptly changed. And if the world no longer supports your ability to give your word and keep it, if the world has knocked you back an operating state, I strongly recommend you manage your practice consistent with the current reality.

### **Viability vs Profitability: The new context**

Context is decisive. Context is everything. Context is the whole shebang, the whole schmear, the whole ball of wax. Context is the space in which you and your business show up. Context rules. Therefore, context determines what succeeds and what fails within it.

Context determines what thinking and which actions will meet with triumph or disaster. Context determines which interactions and initiatives will be achieved or crash

and burn. Anything you try that isn't supported by the context will not work.

Disruptive change shifts context.

A financial meltdown of today's magnitude is a disruptive change. The context has clearly shifted. No longer do you hear the words prosperity, abundance, opportunity, vision. The way we speak about the future has changed from optimistic to pessimistic. The way you look at the appointment book, the receivables, the way you present treatment, the way you speak to patients, and, yes, even the way you see your staff, has shifted. No doubt about it, the context has shifted and context is decisive.

When context is altered, what worked in the past, will not work now. You need to operate consistent with the current context. I have termed this change in context a shift from a context of Profitability to a context of Viability.

The aim in the context of Viability is straightforward – survive, not thrive. Therefore, in a context of Viability it's all about "skinnying" down, reducing costs, shifting goals and priorities, operating so you are still around when the crisis subsides.

Here are some of the cardinal changes I suggest you consider within this new context.

### *Expansion vs Contraction*

For most of the last two decades, the economy was growing, expanding and you rode the wave. Now everything is in a state of contraction, so you might do the same. This is the time to unload anything and everything that isn't essential to the revenues needed to keep you in business. That means it's not a time to purchase new equipment. It's not time to move to a bigger space. It's not time to take the next big CE program. It's not time to get an associate. The charge

is to reduce your spending as tightly as you can.

#### *Growth vs Reduction*

In the past, it was all about growing your practice. Larger space, new associate, more services. "More and better" were the operative words. Now it's about "less." Fewer supplies, less staff, less of anything and everything so that a smaller percent of revenue is needed to float the boat. And I know this is difficult, but it's time to reduce staff to the bare minimum you need to function. Your primary job as an owner is to make sure your business stays around, and does not go out of existence struggling to pay staff salaries. Yea, I know it sucks. Don't make this move until you absolutely have to.

#### *Ordinary vs Extravagant*

In the new context, what was ordinary might now be seen as extravagant, i.e. paying for new equipment, CE, more computing stuff. You don't need to incur any more debt. You don't need to increase costs so you need more to crack your nut. You want to do whatever you can to decrease your overhead, not expand it. If you don't absolutely need it, don't buy it.

#### *Long term vs Short term*

When the context is screaming crisis, people are very worried about what's going to happen to them in the future. When this conversation is present, as a manager and leader, you need to focus yourself and people on the day to day. Keeping focus on today is what we have, significantly reduces anxiety. Accomplishing short term goals and fulfilling short term requests allows people to feel they are winning. Keep today in front of them because the concern about tomorrow is always looming.

#### *Pay up front vs Pay over time*

People are crazy about their money – what's left of it anyway. In the old context of Profitability, you didn't need to press hard to set your financial arrangements to maximize the margin. Given we are in a context of Viability, if you press on people, you'll lose them. Consider reducing your demands, be more flexible, extend more credit, do what you need to do to have patients in the chair and to have enough money to sustain your Viability. It's not about increasing your margin; it's about making sure you stay breathing.

#### *Beauty vs Health*

In the old context of profitability, it was about esthetics – We'll make you a gorgeous smile. People were much more open to treatment plans for veneers, crowns and replacing the old. In today's context, people are extremely anxious and much more risk adverse about spending their money. I suggest you shift the conversation to, "*I understand the situation. We're all in it. So I'd like to recommend treatment that will keep you healthy and we can get to the other work when things turn around*". **In this economy, spending money on getting pretty isn't a priority in the current mind-set of the market.**

In a new context, everything changes along with it. There are numbers of other things that have changed as a result of this contextual shift, but I'm sure you got the point. If you don't change consistent with the new context, you'll struggle or fail. An old American Indian expression is Ride the horse in the direction it's going. I suggest you do this.

## 摘引

当今的经济与去年甚或上上个月的经济完全不同。

开业的费用在提高，我们已经学会调整。新的技术以及采用这些技术的费用升高了，我们已能够适应。

但是国家核心经济的巨大转变产生完全未知的情况。我们如何反应？

每一种牙医实践都会不同程度地受到影响。有些可能影响甚微。

有些可能会被击溃。

有些可能很快会受到打击。

有些业务可能会缓慢衰降。

但可以确定的是，每一种牙医实践都会受影响。

大多数可以确保渡过劫难，但在困难时期保持繁荣和发展需要技巧。

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## Resumen

Hoy en día la economía muestra muy poca similitud con aquella de hace un año o incluso del mes pasado. Se ha visto un aumento en el costo de hacer negocios; nosotros hemos aprendido a hacer ajustes. Las nuevas tecnologías, y cómo proporcionarlas, implican una mayor inversión; y hemos podido adaptarnos a ello. Pero un cambio dramático en el centro de la economía del país produce condiciones totalmente desconocidas. ¿Cómo respondemos a ello? Esta situación tendrá un impacto en todo consultorio dental a un nivel u otro. Algunos de ellos se verán afectados ligeramente, otros serán golpeados fuertemente, otros de manera rápida. Para ciertos consultorios significará un descenso lento. Pero de lo que podemos estar seguros es que el impacto se sentirá en todo consultorio dental. La supervivencia para la mayoría está asegurada; sin embargo, se requiere de maestría para prosperar y crecer en tiempos difíciles.