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Newsletter Article Reprint

Controlling Staff Compensation - Three Rules to Follow

By Amy Morgan, CEO, Pride Institute

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Most doctors suffer with a staff compensation system that never produces the desired results of motivating employees for improved profitability. Fortunately, establishing a compensation model linked to specific practice and employee goals can help cure the problem. Below, Pride Institute CEO Amy Morgan outlines three strategies doctors must use to implement a winning staff compensation program.

Do you feel in control when giving your staff pay raises? Or are you raising their pay simply out of habit, rather than due to specific merit? And what about your sneaking suspicion that your team expects more than you can give – especially in this economy? Sadly, too many dentists feel this way.

And the bad thing is if you give pay raises that are undeserved or unaffordable, you will end up resenting your team. This resentment, in turn, often means that your team will later end up resenting you. This creates an environment where no one is in control, and the stress is huge.

What Message Are You Conveying with Your Compensation Model?

Your way of compensating your team delivers a strong message about the culture of your practice; that is, the vision and values by which you do business. If you never give raises, even if production keeps rising, you'll convey the message that it's futile for your team to work harder, since their efforts go unrewarded. On the other hand, if you give raises simply because another year has passed and an annual increase is expected, you'll convey the message that staff are rewarded without having to work toward new levels of productivity and excellence. Both of these approaches are de-motivating, and encourage lack of accountability and sub-standard performance.

In stark contrast, what you need is a compensation model that expects, recognizes, and rewards achievement. This makes a statement that you want employees who are hard working, hard working, who strive for excellence and will help take your practice to the next level.

A Sound Compensation Model

A sound compensation system creates a climate in which self-directed team members are encouraged and motivated, because they feel they are treated fairly and can exercise control over their future. Through establishing objective standards for a pay increase that are understood and agreed upon in advance by the team, your employees will know the specific knowledge, skills and actions that can earn them raises.

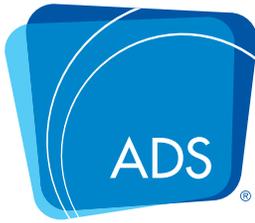
If your financial administrator understands the importance of suggesting new payment options to patients in order to boost collections and she does so consistently, she will know why she has earned a pay increase. If she isn't comfortable with the new payment options, and fails to offer them to patients, she won't be surprised when collections don't improve and there is no salary increase forthcoming. Then, through your coaching, she will know what to do to correct the problem and ensure a potential future salary increase.

When employees clearly know where they stand, it reduces or eliminates the resentment, anger, and other negative reactions triggered when compensation decisions are made arbitrarily, without the standards, evidence, and facts to justify them. Are you ready to take control? Pride's Compensation and Recognition Model will help you do just that by giving you three essential rules to get your staff compensation program on the right track:

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Law #1 - Compensation Must Be Competitive In the Marketplace

Consumers are becoming more savvy in finding the best prices for things they want to buy. The same holds true for employees in seeking the best salaries they can find (although other factors are also critically important in job satisfaction). If you pay below-average salaries compared to similar dental practices in your area, you will not attract above-average applicants. Therefore, finding excellent people requires offering a fair rate of pay compared to similar practices in your area.

Your team may also compare their salary to that of other team members in your office. While salaries are supposed to be strictly confidential, unfortunately, that doesn't always happen and cannot be legally enforced. Your appointment coordinator may be unhappy because she is making less money per hour than your financial administrator. But your appointment coordinator may not have the same level of experience, education, or skills as your financial administrator.

In establishing the proper compensation levels, consider how differences in skills, their experience, and qualifications require that you provide different ranges of pay. The key is to communicate your criteria and standards so that employees know that you are being fair. A team member won't feel blindsided if you tell them clearly and proactively, the reasons behind the compensation.

Law #2 - The Practice Must be Able to Afford the Compensation it Offers

Dentists often create affordability problems for themselves when they give pay raises, buy new equipment, or otherwise spend money based on emotion, without analyzing the impact of the cost, or the expected return on investment. While many dentists earn a good living in spite of these financial mistakes, they still pay a long-term price.

Many doctors will be unable to accumulate the savings they need to retire and maintain their standard of living if they continue this pattern of reckless spending. Or, their emotional spending habits may de-motivate their staff. For example, pity the poor dental team that can't meet profitability goals for their salary increases because the dentist purchases every gadget known to mankind! There needs to be agreement between the dentist and team on what the forecasted spending will be, and that money will be set aside for pay increases should the team meet its productivity goals.

Pride Institute uses the standard of a percentage of the increased collections over the prior year to award compensation increases. While you may choose to use other parameters, the standard you use must be clearly defined, challenging to achieve, but attainable and acknowledged as fair by the team. Using this compensation model, dentists set aside from 10-20% of the increased collections over the previous years to use for salary increases. The percentages communicated in advance to the team, and action plans are set to accumulate as much money as possible throughout the year. Once the percentage increase has been determined, individual increases are allocated to deserving staff members based upon their achievement of individualized goals for increased performance as described below.

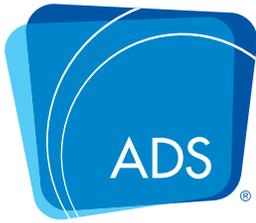
Law #3 - Individual Compensation Must be Awarded Based on DEMONSTRATED Achievement

This requires defining your expectations for your team and communicating these expectations to them in advance, so everyone knows her situation. Doctors should establish clear expectations of job performance and provide the individual team members with training and feedback so that they can meet those expectations. If you want a team member to go postal, simply wait until her salary review to tell her that because she has not demonstrated the skills or abilities necessary, she hasn't met your (unstated) expectations, and therefore is not entitled to a raise. This third law is the most challenging one to implement, since it requires leadership.

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Pride's compensation model encourages the team to build their skills so that they earn salary increases by virtue of their performance. Employees actually love this because of the control it gives them to influence their own level of compensation. They are inspired to excellence, knowing that they will be acknowledged and rewarded for it. This compensation-based-on-performance model inspires staff members to be self-starters.

Evaluate your staff's competencies by using the following three categories (taken directly from Pride's handbook-CD series, "Take Pride in What You Pay"):

1. Job specific competencies are the knowledge, skills, and abilities the team member needs in order to perform her particular job. This includes technical, procedural, communication, and problem-solving skills.
2. Practice management competencies support the practice's clinical, philosophical, and financial goals. These include statistical analysis, goal setting, action planning, organizing, and coordinating activities either independently or as part of the team.
3. Teamwork competencies include collaborative problem solving, participation at staff meetings, interpersonal and conflict resolution with other team members, serving one's turn as a staff meeting facilitator, etc.

Using the specific competencies that you have developed for a job position, you and your team can create an action plan by which each employee can reach a new level of achievement each year. The team's reward for accomplishing these goals is a merit pay increase.

Through paying salaries that are competitive in your area and by challenging your team to earn raises affordable to the practice through specific demonstrated growth in their jobs, you will bring out the best - - excellent performance from your staff members, with measurable increased profitability for your practice. That will place you in firm control of your practice, while your employees will be in control of their future - - the best of both worlds.

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Amy Morgan is a top dental consultant and CEO of Pride Institute, a nationally acclaimed results-oriented Practice Management consulting company. Amy has revitalized thousands of dental practices using her time proven Management Systems, so that they become more secure, efficient and profitable.

Founded in 1976, Pride is dedicated to substantially improving doctors' professional, financial and personal lives. Specifically, Pride has taught over 3,000 practices how to excel in effective Leadership, Case Presentation, Appointment Scheduling, Win-Win Financial Arrangements, Cash Flow Management, Retirement Planning, and Evidence-based Practice Marketing. Pride offers continuing education, marketing, on-site training and telephone consultation support. For more information contact ADS Florida at 800.262.4119 or email pride@adsflorida.com.

ADS Florida proudly serves as the exclusive transition specialists for Pride Institute, nationwide.

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