



# Insight Sue Crampton

WITH

## Managing Your Practice Finances

### Have you got your roadmap for the 2009/10 year?

In the previous edition of Partners in Practice I wrote about strategic planning and the vital role it plays in mapping success for the practice. The beauty of the process is that strategic plans can be worked upon by many members of the business and administrative tasks can be assigned to the practice team. However, what cannot be delegated to allied staff is the strategic management and decision-making process of your practice finances. As the domain of owners, principals and managers, I often see the frustration as veterinarians try to don both their 'surgeon' and 'business owner' hats. Frighteningly, a recent statistic said the average practice loses up to \$65,000 per year, per veterinarian due to poor financial management. Management of finances, scheduling time to budget and planning ahead is vital to moving forward as a profitable practice .... so how can practice owners take control of this area and make good business decisions?

Understanding where you want to go is vitally important. Where would you like to grow? Key Performance Indicators (KPIs) are used to measure success in many areas but can be applied specifically to financial outcomes. KPIs serve as an 'end point' and allow you to work backwards to set down the 'how are we going to get there?' planning. This combined with utilising monthly summaries and financial statements help chunk down how the business is doing against the KPIs.

Part of the financial plan should always be budgeting. Creating a budget can always be a challenge but the benefits outweigh the initial work. Being cognisant with your budget also empowers you to evaluate your current bills, identify unnecessary expenses and remove those areas which stop you from achieving your KPIs. Budgeting and sound financial controls also allow practices to feel confident in determining client fees accurately and purchasing additional equipment or hiring new staff. It also gives you the power to determine 'If I purchase this endoscope I know I need to increase my consults per day to X'. This is also extremely important information to share with Associates and allied staff, but practice owners often haven't had the time to calculate these examples themselves. Unfortunately this means the practice team are not focused on their own contribution to good financial management.

So in a nutshell, before practices can truly make sound business decisions, careful planning and thought must be given to the 'Now, Where, How' philosophy. Where am I now financially? Where do I want to go financially? How am I going to get there? As we move into the fourth quarter of the 08/09 financial year, start your plan of attack for 09/10.

### My suggestions would be to:

- Know where you stand NOW. Utilise practice programs such as VisionVPM to extract your data and do a 'year in review'.
- Prioritise time to do an 09/10 budget. There are plenty of templates, programs and workshops which can assist you with this.
- Know where you want to go – set a WHERE target. Liaise with your Associates and staff to do a SWOT analysis on your ideas and figures. Your staff will be the key in driving your goals.
- Spend quality time devising your HOW plan. This process involves creating the steps required to walk towards success, who is responsible and timeframes for tasks. If you wish to increase your average income per consult, you need to plan how it will be implemented, who will drive it and how will the veterinarians be trained to make it happen. It is the same principle for staffing – if you need another nurse, consider how are you going to afford this additional salary. A good financial plan will determine which area of the business must step up. Being clear with the team in these areas also offers solutions whilst giving them their own key performance indicators. An example being "If you can increase your OTC's by 10% I can then look at an additional nurse on Saturdays".

If the thought of attempting this process is a little daunting, why not register yourself for our Business Financials Boot Camp next month. They are an ideal starting point for success in the new financial year.

**Sue Crampton is the lead consultant for Crampton Consulting Group (incorporating Animal Industries Resource Centre). In March 2009 Provet CCG launched its Practice Fitness 'Insight Leadership' Boot Camp Series, focusing on Strategic Planning, Business Financials, Marketing Savvy and Investment in People. If you would like more information, contact the AIRC/CCG office on 07 3289 1900 or speak to your Provet Business Account Manager.**