Delivering **YOUR BUSINESS VISION**

** Spot On Business Planning delivers business planning services to the dental community with a hands-on approach. To find out more email info@spoton-businessplanning.co.uk or telephone 01949 851723.*

Every dental practice needs a robust business plan, says **Andy McDougall** of Spot On Business Planning*.

The dental marketplace has changed dramatically in a relatively short space of time. Just from a simple economic perspective the recession has altered consumer buying patterns and the bank's attitude to lending has tightened. Dentistry is now fast becoming part of a commercial environment and that means dentists and practice managers have to become commercial too. What worked yesterday may not work tomorrow. Operating without a robust business plan is as open to chance as the lottery and as the adage goes: if you fail to plan, you plan to fail.

'Business planning' is a widely misunderstood term. A budget is a financial model, just one small part of a business plan. The plan involves so much more than the single element of budgeting; anyone can produce an Excel spreadsheet but what are the key components upon which the integrity of the plan relies?

Survive and grow in a changing environment

The private sector has always faced the threats and opportunities of enterprise and is painfully aware that in the current world, change is happening at an ever-increasing pace: globalisation, new technologies, instant communication and the opportunity for anyone with the right business model to raise the financial backing to develop a new market or to enter an existing one.

To some extent those in the public sector have not felt the same entrepreneurial dynamics but as the dental sector slips further into the waters of privatisation, it faces an increasingly commercial future.

As Heraclitus said, 'The only constant is change', so rather than shying away from it we must embrace it and use it to our advantage. That's why business planning is so important; it helps your business to survive and grow in the midst of a changing environment.

The purpose of business planning

When it comes to planning, size is irrelevant. Planning helps overcome many commonly-faced issues regardless of the size or sector of the business. Here are just some of them:

- You have reached a size where managing the business by the 'seat of your pants' is no longer viable
- Competition is creating business pressures that don't bode well for the future
- Globalisation means your service is experiencing competition from outside the UK, either as immigrants appear in the UK, or technology means outsourcing overseas is easy
- The environment has changed from business as usual and what worked yesterday will not work tomorrow
- You are doing well but cannot accurately determine if it will continue and therefore whether you should invest in expansion
- You need capital investment but who will lend you the money without proving you are in control now and have a robust business model for the future?
- You are likely to go out of business if you do not have a strong business plan that enables you to see if you are on track each month compared to your objectives and against which any investment or overdraft facility relies
- Maybe you just want to run the business in a controlled way rather than being reliant on the outcome of the environment you operate in.

Most businesses will associate their current predicament with one of the above but will not know how to develop and implement the necessary actions in order to move to a secure, brighter future.

Wouldn't it be great?

Imagine if you could find a way to turn that vision into a tangible goal and even better, find a way to keep your business on track each month, knowing quickly if you have delivered the desired result and if not, why? More importantly, imagine knowing exactly the reasons why and knowing what corrective action must be taken to get a different result. Wow!

Well there is a way: welcome to the world of business planning. It's not new, it's been time-tested, and it's been around the commercial world for decades. It is new to dentistry. Business planning looks

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at the financial evolution of your business and along with hundreds of questions about the non-financial aspects, collectively determines the current in comparison to the future.

By planning the desired results, measuring each month, and discovering where your shortcomings are, you can make the necessary changes to get back on track. It all lies in the financial modelling of the agreed strategy and the quality reporting against the goal.

Where does the planning process begin?

The business planning (strategic planning) process requires us to answer four key, high-level questions:

1. Where are we now? (Situational analysis)
Analysis of the financial and non-financial situation
2. Where are we going? (Vision) Are our ambitions stretching but achievable – not a delusion?
3. How are we going to get there? (Business planning) The detail of the plan the business model
4. How do we know when we have arrived? (Performance management & results) Company and individual performance management.

Each of these questions will require you to ask and answer a whole host more that

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straddle every aspect of your business.

For instance:

- Are you in a declining or growing market?
- What is the size of your potential market?
- Is your business model sustainable?
- Are you facing increased competition and if so, where from?
- Are all customers equally attractive?
- Do you have the correct product/service offering for your chosen targets?
- Where do you make/(lose) the money?
- Do you know how to convert your targets to customers?
- What is your pricing strategy relative to your target audience and your competition?
- How do you tackle under-performance in the business and your team?

A robust business plan will know (not guess) the answers to these types of questions. Only then can you begin to put together the financial element of the business plan – the budget.

The three year plan

A strategic plan normally spans three years and should financially articulate your vision. This timeframe enables you to see that the strategies you implement are taking you nearer to your ultimate goal – your vision. It is also important to see that your business is following a path that has a profitable future. This is important for you and anyone involved in financing your business – you must have a sustainable business model. It is far better to make the mistakes on paper and therefore realise that you need further changes to your strategy if you are to survive and grow. Once the model is complete and reflects your strategies you can start to develop a detailed version of the first year of this three year plan.

Putting a business plan together

Firstly, let's take some jargon out of the process. Most businesses have a vision ie a view of what the business will look like in a given period of time in the future. A company will compare this with where the business is today in order to answer the most fundamental business/strategic planning questions of all. What business are we in? What business should we be in?

To assess where the business is today you must undertake an audit of your current position by looking outside and within your business. You cannot create a business plan by ignoring what is going on in your competitive environment. The business planning process incorporates a significant number of techniques aimed at identifying the key positive and negative aspects of your business.

If you analyse where you are today and compare that with where your business should ideally be in three years' time, you will most likely see a 'gap' appear, which needs to be closed through the creation of a series of strategies. For example, the services that have historically generated the bulk of your income may be coming under margin and/or turnover threat so you may need to look at strategies that extend your portfolio of services. It may be that you will need to invest in training or recruitment to obtain new in-house skills, or to invest in new equipment or marketing initiatives to let your potential customers know what you can offer. The point is that these strategies will require you to take some action – to plan your way to a sustainable and profitable future. And just remember, even doing nothing is a strategy – albeit a very poor and short term one. At the end of the day, the only useful strategy is one that is implemented. Therein lies the trick: how do you not only choose the correct strategy, but then execute it?

Invariably there will be a gap between the desired and current result. This is known

as the planning gap. Behind the overall gap we need specific tactics to close it, a tangible means of closing the areas of desired higher levels of performance.

Nothing new, it's been around for years, but if it's so easy why doesn't everyone do it? It's an art that just like dentistry, takes time to perfect, but once implemented, does what it says on the tin. The trick is in the application of the technique.

Measuring performance

Once all the tasks of the business plan are collated and scheduled they must form part of the objectives of your team. If a task(s) is not owned by somebody it is unlikely to be completed so anything fundamental to the plan must be owned and managed. For instance, if the introduction of a new service relies on the recruitment of someone with specialist skills, the task of recruiting the right candidate is crucial. Therefore it must become a specific objective of the most appropriate member of your team and its progress must be monitored carefully to ensure it is achieved. Without the successful appointment of that role the service cannot be offered and the revenue you had planned for it to generate will not be realised. Your plan will fail.

The plan, the whole plan and nothing but the plan

Business planning is not an annual event and the business plan is not a document that is completed and put away for another year. Your business plan is the map and the mechanism that provides focus for the whole practice. There must be congruence between all business activity and the plan, down to the specific objectives agreed with individuals.

It might sound complicated and arduous; you might even think it unnecessary, but managing without a plan is not managing. You can't manage the performance of the business or the team without having something tangible to measure against and that is the plan. If your plan is not robust, neither is your long term business viability. Business planning is the only tangible means of delivering a vision.

This article is the first in a special series featuring speakers from the BDA's Training essentials DCP CPD events. Andy will be speaking on 25 June, 22 July and 17 September 2010. See page 32 for further information.