MANAGEMENT & MARKETING

(Editor's Note: Every few months, this JCO column presents a successful approach or strategy for a particular aspect of practice management. Your suggestions for future topics or authors are welcome.)

I am happy to serve as guest editor for this column, in which Dr. Andy Girardot provides an excellent system for improving staff motivation, office efficiency, and profitability. The concept of rewarding staff for performance is not new—in fact, I have investigated and tried many "performance-linked" compensation systems, but most were successful only temporarily. All these systems tended to fail once the base compensation reached a level that made the performance rewards less meaningful, which can happen quickly in a well-managed practice.

I am intrigued, however, by Dr. Girardot's use of the principles of "volitional science" and the way he has woven them into the concept of success through staff motivation. If you do not recognize the name of Dr. Andrew J. Galambos, I would recommend that you "Google" him and delve into his teachings on this subject. As Dr. Girardot shows, true excellence in orthodontic management is achieved when there is mutual reward for all concerned—the patient, the doctor, the staff, and the practice.

Please read this article with care; it contains valuable "take-home" information for the practicing orthodontist.

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One Pathway to Successful Orthodontic Practice

There are many pathways to a successful orthodontic practice. This article presents a perspective that has stood the test of more than 20 years. It is anchored in the principles of behavioral motivation and volitional science.[1]

Of course, the very definition of success varies from one orthodontist to another. My concept of success is the achievement of excellence in the two basic components of orthodontic practice: clinical results and business management.

Excellence always approaches the ideal, but the ideal is never fully attainable (Fig. 1). The value of this philosophy lies in providing direction, motivation, and a means to measure progress and success. The perception of excellence has no value without a concept of the ideal.

Clinical excellence can be defined by using specific, measurable goals for the various aspects of treatment outcome. For example, the goal of an excellent functional occlusion would be met by achieving Andrews's Six Keys,[2] along with a

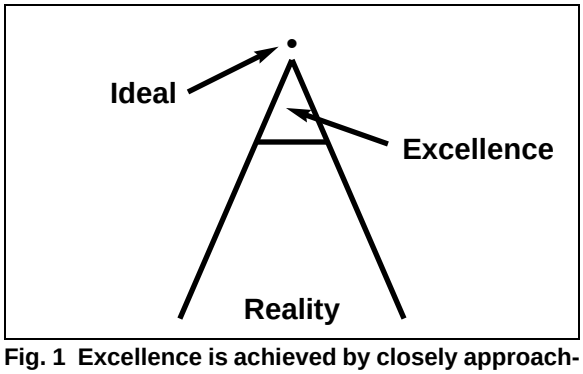

Fig. 1 Excellence is achieved by closely approaching ideal.

seated condylar position and a mutually protected occlusion.[3-11]

According to volitional science,[1] excellence in management seeks to maximize satisfaction for the patient, the staff, the doctor, and the practice. In other words, there is an agreed-upon value-for-value exchange under which all parties profit.

Staff Management Philosophies

A highly motivated, competent staff is the key that unlocks the solution to building an efficient, profitable practice while delivering clinical excellence. It is simply impossible to achieve that goal without the orthodontist's being able to focus significant time and energy on patient treatment. Speaking with colleagues, I find that the "staff factor" can be either a powerful tool or a stumbling block.

Many consultants are available to provide expertise in orthodontic staff and practice management. Here I would encourage discretion. A well-meaning consultant can lead the orthodontist astray with an overemphasis on production and case starts. If there is a sizable increase in new patient starts, the doctor may be unable to finish all cases to a high degree of excellence. Increasing the patient load while trying to maintain clinical excellence will often create considerable stress for the clinician, and this stress is then transferred to the staff, patients, and parents.

There are basically two styles of staff management: the boss and the leader. The boss tends to rely on coercion or fear for motivation; hence, he or she must keep close track of the staff to assure that they achieve their goals and maintain the desired momentum. Of course, we can all cite effective examples of this philosophy in our profession, but it requires considerable time and energy from the orthodontist—time and energy that could otherwise be used in the achievement of clinical excellence.

The leader, on the other hand, is out front steering and guiding the team, rather than policing from behind, as the boss would do. An orthodontist-leader sets the pace and the example for the team while keeping a focus on, and responsibility for, clinical excellence.

The revenue share concept, as described below, can help any orthodontist develop a leadership-based practice with a proper balance between management and clinical excellence.

Principles of the Revenue Share Concept

It is important to recognize that people are capable of far more than they suppose. Input from their surroundings can have a significant influence on the degree to which they can, or will, release themselves to become more confident and productive. The pioneer psychologist Viktor Frankl recognized the untapped potential in people when he said, "Within the confines of environment and endowment, all people are self determining."[12]

Assuming the staff are all endowed with adequate intellect and skill, the revenue share concept provides the environment in which they can raise themselves to higher levels of achievement and thus reward, in both the tangible and intangible senses. Revenue sharing becomes a growing, positive cycle that is advantageous to all concerned—the patients, the staff, the doctor, and the practice.

Revenue sharing guides staff members toward a "proprietary interest" in the practice, which, in turn, motivates them to make the same sorts of decisions the owner-manager would make. Indeed, each team member is his or her own manager. The well being of the practice and its patients becomes as important to the staff member as it is to the doctor. Although the revenue share concept appears rooted in the financial rewards of increased income, most team members will soon graduate to a higher level, recognizing the importance of feeling good about what they do and gaining the dignity and self-esteem that come from providing high-quality service to appreciative patients and parents. A significant motivator for revenue-sharing team members is the realization that everything they say and do has an effect (positive or negative) on

their own income, the income of the other team members, and the levels of achievement attained by the practice.

Leadership from the orthodontist is critical in guiding the staff to these higher levels of personal fulfillment. An office manager functioning as a leader is not needed, because the orthodontist fills those shoes. An office manager could act as a boss, freeing the orthodontist from police duties, but this extra staff position would reduce the income available to the rest of the staff.

As most business experts would agree, the smaller the number of people working together, the better. The revenue share concept assures a "lean and mean" staff. Staff people are reluctant to hire others, recognizing that it may reduce their own income, but those with experience recognize when it is appropriate to add employees. On the other hand, if someone is slacking off, the teammates are the first to recognize that this person is costing them in both tangible and intangible terms, and they are motivated to take action to rectify the problem.

It is important to put the clinical and business aspects of the practice in their correct order. Clinical excellence is first; business management is second. The two are interlinked, of course, but when business is placed ahead of treatment, finances become the driving force, and it becomes difficult to reverse this unfavorable relationship. The doctor must be the example for, and safekeeper of, clinical excellence. Some might argue that the revenue share concept encourages the staff to focus too much on money while neglecting more important issues. In 25 years of applying this system I have never seen that problem, but if it were to occur, it would be my responsibility to correct it.

Putting the Revenue Share Concept to Work

The math and accounting needed to calculate revenue sharing are simple, and best done by the orthodontist. This calculation, which requires perhaps three to five hours of time for each distribution, allows the orthodontist to take a close look at the health of the practice from a business perspective. I use a two-month period, which seems to provide sufficient incentive to the staff without being too much of an administrative burden on me. The calculation should be completed within two weeks after the end of each period so that checks can be distributed to the staff on or shortly after the 15th of the month.

Revenue share calculation starts with two numbers: the gross practice revenue for the two-month period, and the percentage of gross revenue allotted to "staff expense", which is the total amount spent by the practice on the staff, not including contributions to retirement. The exact definition of what constitutes staff expense may vary slightly from one practice to another, but orthodontic management consultants generally place it within a target range of 20-23.5% of gross revenue. This is not only an important number in calculating the revenue shares, but a valuable aid in helping the staff recognize the parameters of good business management and its influence on their income and the health of the practice. As staff members realize the importance and immutability of this number, they begin to adopt more of a management perspective; for example, they see that raises don't just drop out of the sky at the whim of the doctor. I have not had anyone ask for a raise in more than 10 years.

In our practice, the target "staff percentage" is 23.5%. Table 1 shows a hypothetical example, using that percentage, for a two-month period of revenue. We have devised a specific method for determining how the available revenue shares are divided, in which each person (including me) rates the others anonymously every two months. The base salary increases slightly with length of employment, but the percentage of revenue share can be different for each staff person, because no two people contribute exactly the same amount to the practice. This difference is especially notable when a new staff member is hired, but once the new person catches up and the staff is truly functioning as a team, the ratings and thus the revenue share per person tend to even out. In addition, whenever a staff member is absent, the base salary is still paid, but the rev-

TABLE 1
EXAMPLE OF REVENUE SHARING

(Assumes four full-time staff, with some part-time staff who do not share in revenue.)

Gross revenue for two-month period		$130,000
Target "staff percentage" for healthy practice		23.5%
Funds allocated to staff for two-month period		$30,550
Staff expenses over two-month period:		
Base salaries	$20,000	
Taxes paid by practice	1,975	
Overtime	740	
Part-time staff	3,880	
Outsourced transcriptions	465	
Miscellaneous	275	
TOTAL		<$27,335>
Revenue remaining to be shared among four full-time staff members		$3,215
Average monthly revenue share per staff person		$402
Average annual gross income per staff person		$34,824

enue shares for that day are distributed among those who were present.

When practice income is too low to generate revenue shares for a two-month period, the staff is still assured of its base salary. A lack of revenue shares, however, is a signal for the team to get on the ball and improve productivity. This is a good example of how the system brings the doctor and staff together, because everyone is pulling in the same direction.

Conclusion

Incompetence and indifference are prevalent in today's workplace. The revenue share concept provides an antidote to this behavior. It is a step toward individual incentive and freedom—as opposed to the hourly wage, by which people are paid for "being on the job" and usually experience no increase or decrease in pay for their efforts or contributions.

It may take time to wash away a firmly ingrained, counterproductive belief system. It is always gratifying, however, to watch the improvement in self-esteem and confidence of staff members who experience the successes that are possible when they take their own initiative and responsibility, as well as the personal growth that comes from providing value to others.

There are many ways to organize a successful practice and motivate the people involved in its day-to-day activities. Delivering clinical excellence while remaining productive challenges the skills and expertise of the orthodontist, both as clinician and manager. Revenue sharing is a stimulating and rewarding way to meet that challenge.

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