

Benchmarking

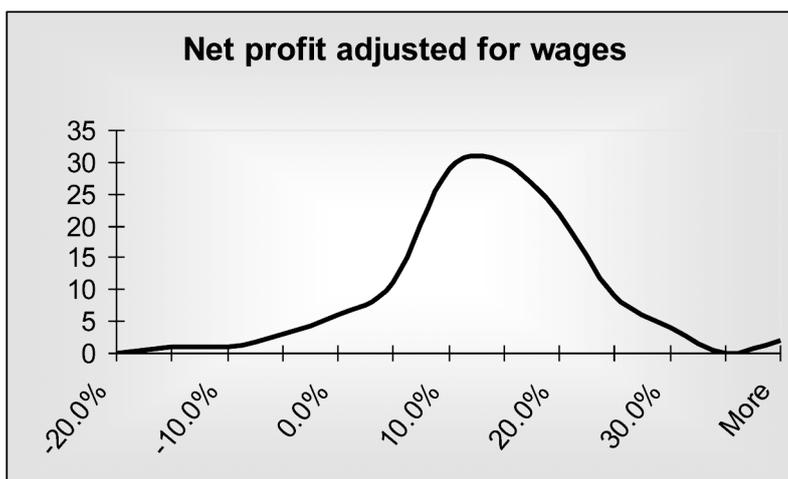
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As veterinarians we tend to love our work. Each day we will enjoy what we do and the people that we work with. We are well trained and generally find the ‘career’ itself and outcomes of being a veterinarian quite rewarding. It is for these reasons that we get into a ‘comfortable’ position where we are content with what we do. The unfortunate reality is that the veterinary industry, as a whole, is not a highly profitable industry compared to many other industries. Australian statistics have shown that 18% of veterinary practices are operating at breakeven or below, whilst a further significant percentage of practices operate at a level of profit that one may question is a worthwhile. The great news is that this situation is contrasted completely by an equivalent number of practices that are operating very profitably (Chart 1). I would suggest the glamour and enjoyment of our careers fades quickly for those practices that are not financially worthwhile whilst those operating profitably will have a much higher level of job satisfaction in the long term.

So all practices should ask themselves the following questions:

1. What profit level do I operate at?
2. Am I comfortable with this position?
3. Why am I in this position?



4. What do I need to change to improve this position?

Chart 1. Histogram of adjusted profitability of Australian veterinary practices

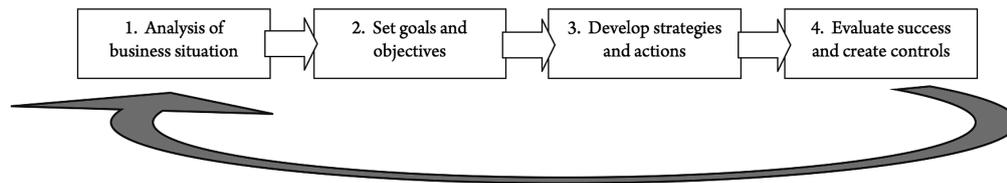
Balanced structure of management

So we have talked about profit! Profit is simply the end result of good management. In turn good management is a combination of many facets of management that must be addressed.

Attached to the end of this article (Chart 2) is the MPV Structure of Management (SoM). The MPV Structure of Management has been developed as a tool to identify the major areas of veterinary practice activity that require attention in developing a practice management strategy. It will identify the basic relationship that exists between all activities and demonstrates how 'practice management' is not a single dimension but is rather a 'package' of management activities that combine together to create a practice management strategy.

The SoM will be referred to on numerous occasions throughout the lectures that I will be giving at the NZVA Conference.

What this means is - I don't just one day decide my practice is going to become more profitable tomorrow. In order to change I must look at all areas of my practice and identify the areas that we do well and the areas that need improvement. Once identified I need to specify what I am going to change and what impact it will have in other areas.



Order of events in developing business strategies

What does GOOD benchmarking offer?

One of the problems that we find with benchmarking is that almost everyone has participated in a benchmarking survey that ended up being of little or no use. This puts a perception in the minds of some participant that if a particular survey offered little value therefore all benchmarking offers little value. I think that logically most of us would come to the conclusion that this assumption is not correct. However it does raise the question – well what is GOOD benchmarking? The answer to this is very simple – it must offer information that is of value to each individual participant!

For a benchmarking system to be classified as GOOD then it must have the following major characteristics:

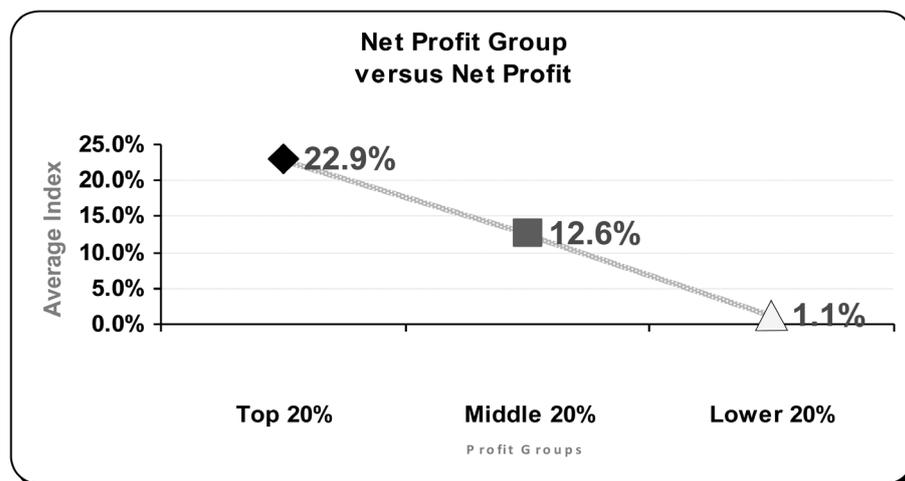
1. Comprehensive - The system must comprehensively cover all areas of the Structure of Management. The system cannot just look at selected areas such as marketing or HR. Management is a package so GOOD benchmarking needs to be a package as well.
2. Vested interest – a GOOD benchmarking system must be free of vested interest. If the person or group operating the benchmark system has an alternative agenda then it is likely the benchmarking will either be biased to favour that area or not truly reflect reality. Free benchmarking has to be paid for somehow! If you want truly independent benchmarks then it is best to pay a fee and participate rather than looking for the lower cost option.
3. Practice profile – The veterinary industry is almost one big happy family but like all families there are very basic and fundamental differences between every practice. A GOOD benchmarking system will provide you with information that truly reflects these individual differences. This means results must be broken down into 'practice profiles' that are identical to your own practice. These KEY differences will depend largely on such things as:
 - The type of practice being operated.
 - The size of the practice.
 - The area or region in which the practice is located.
 - The level of management of the practice.
4. Standardisation of content – one of the major hurdles that any benchmarking system must overcome is the development of survey items that are going to be answered identically by all participants. Obviously if a question is asked that is subjective then input will be variable and the results will therefore not be valid. A truly GOOD benchmarking system has had much time and effort placed on 'standardising' the input so that each participant will provide quality input.

5. Participating numbers – this is an obvious one. Statistics are useless unless there are sufficient numbers. Having support of key industry bodies is an essential requirement for achieving GOOD participating numbers.

What will this lecture reveal?

In the lecture at the NZVA I will be revealing much information about profit, performance, fees and wages. As most of you will know, MPV Consulting has only just started working with the NVZA on a benchmarking system for the New Zealand veterinary industry. We cannot yet reveal too much about NZ – that will be available in 2013. What we will be showing is:

- Information snapshot about veterinary fees in New Zealand. At the time of writing the NZVA MPV Fees Survey was being completed. We will be able to show some selected results.
- Australian Veterinary Practice performance – MPV Consulting has been providing benchmarking surveys to Australian veterinary practices since 2005. This means that we know Australian practices inside out. We will reveal information about profit, marketing performance, fees. It will include variation on how practice profiles influence results and importantly the trends and influences of GFC. Will New Zealand follow similar paths – that is what NZVA and MPV Consulting plan to find out!
- We will reveal some information from the study of TOP Veterinary Performers. It will show what TOP practices do that lower practices don't.

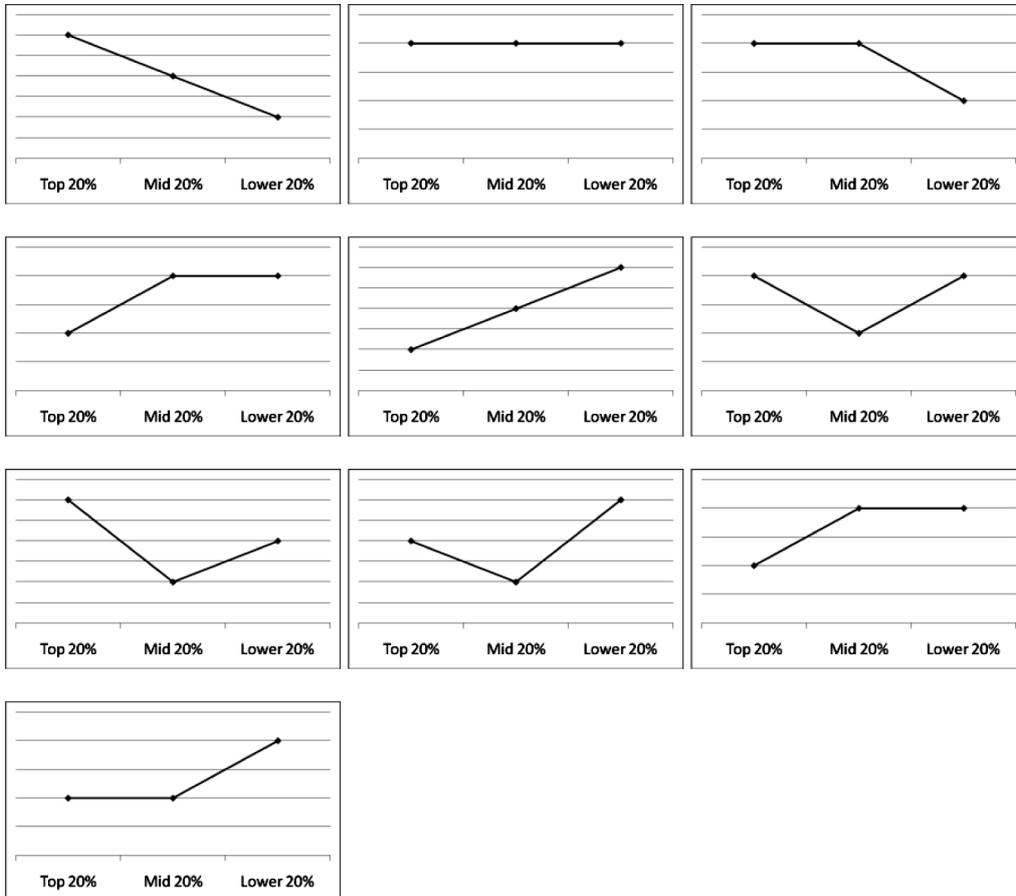


Here is a question you will answer in the lecture!

Below is a graph of adjusted profit for the Top, Middle and Lower performers in Australian veterinary practice.

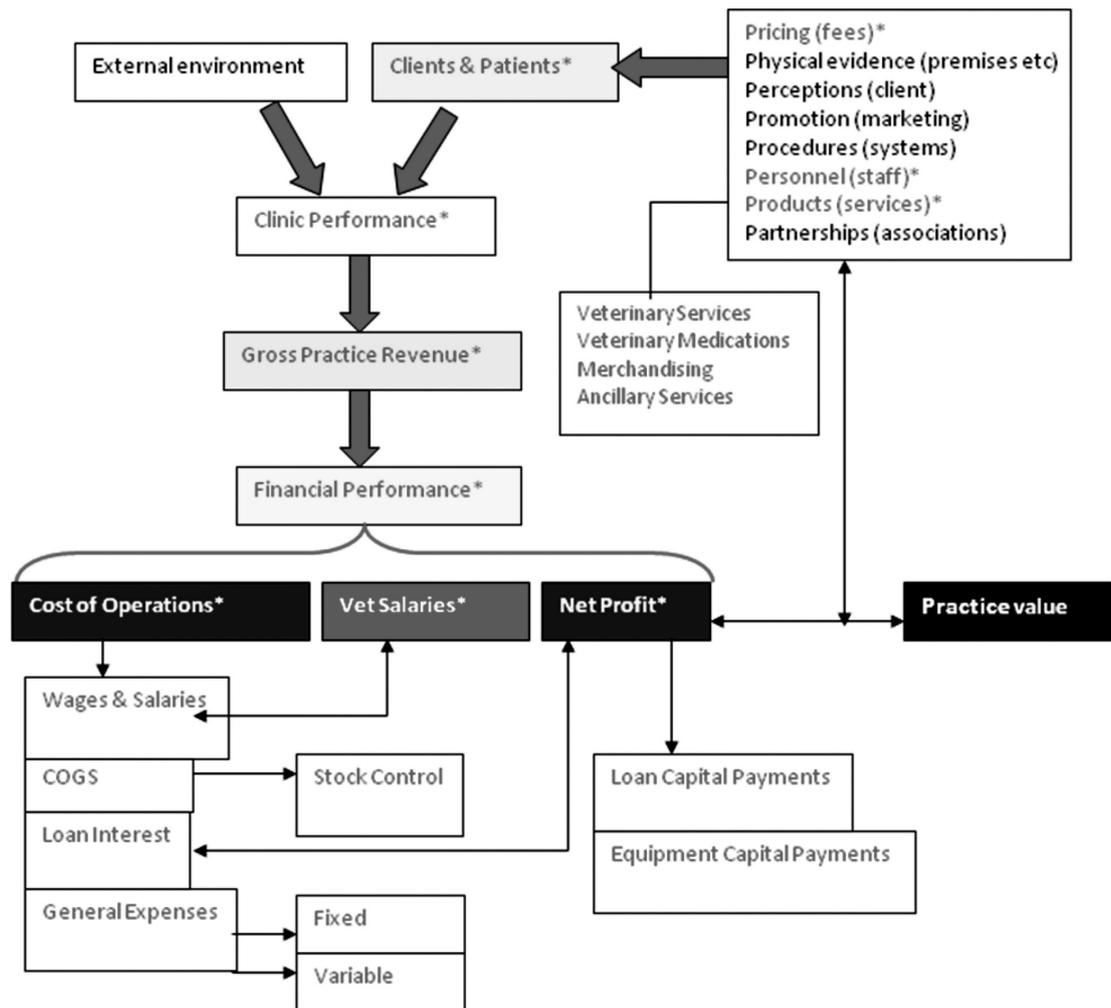
What level of FEES do these groups charge?

Make your choice from the following graphs as to which graphs reflect the relative positions of each group as far as fees are concerned:



Make your selection!

The results will be presented at the lecture. You may well be very surprised!



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Items marked with (*) are covered in at least one MPV Survey:

- MPV Fees Survey
- MPV Profit and Expenses Survey
- MPV Performance Survey
- MPV Wages and Salary Survey