How to Manage With Key Performance Indicators

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1. Introduction
Successful practices have programs and not secrets that provide them the tools to do well. These owners may have some luck in their business, but for the most part, they have business savvy that teaches them to work on their practices and not merely show up for work. They know to stay on track and that they must keep their finger on the pulse of the practice at all time and make adjustments quickly if needed. They do this by creating their list of key performance indicators (KPIs) for tracking their success. You can too!

What are KPIs? They are your simplified list of success indicators for your practice. They may vary from practice to practice based on size, practice type, or other factors specific to your practice. They can be akin to a scorecard of how well your practice is doing. They can be created for weekly or monthly monitoring, but the key is to review them and not merely receive the sheets and place them in the drawer. Success is not a guarantee by any standard. It takes work and training by you and your staff to achieve success by your definition. KPIs are one of the training tools to hone your success.

Where do you begin? The first order of business is to gain some basic knowledge of your financials, available benchmarks, and an idea of what your success objectives really are for your practice. Once you understand financials and what they can tell you and you have a clear image of what you want your practice to look like, it is time to put pen to paper and create 10 KPIs for your practice.

In most practices, some of the KPIs will include, but are not limited to, the following: gross revenue, net income, gross per DVM, accounts receivable (AR), cost of goods sold (COGS), average client transaction (ACT), number of invoices, and any other areas that you want to track. By tracking on a monthly basis and comparing to your budget, you can see the variances and make corrections. Yes, this is managing by the numbers made easier for you.

Start the process by talking with your practice manager and your CPA to gain a better understanding of your income statement, balance sheet, and cash flow statement. Next, seek out some benchmarks for your type of practice, i.e., ambulatory, surgical, etc. Remember benchmarks are averages from a large pool of practices. Benchmarks are merely starting points, and in most cases, they can be improved with some work on your part.

Once you start understanding the financials, you can build your KPIs and track them. You may decide to change your list on an annual basis, which is totally acceptable. Have your practice manager or bookkeeper do the detail work, and you can review their findings. In the beginning, you may seek assistance from one of your stable of advisors to make sure you understand what they are telling you and how to make corrections when needed. Manage your practice with an eye for success. Start Today!