



By Leslie A. Mamalis,
MBA, MSIT, CVA

Financial disclosures

Sharing details about your practice's performance builds trust in your employees and can help make your business even more successful.

Open book management (OBM) has been part of the business vernacular since the mid-1980s, yet it continues to be viewed with healthy skepticism. A 2017 article in Forbes magazine reported that most companies increase profitability and productivity by 30% in the first year after implementing OBM.

So, knowing that, what is OBM and would how could you put it to work in your hospital?

Simply put, under OBM you educate employees about the financial realities of your practice to enable them to identify ways to improve the bottom line and achieve your goals. Sounds like a great idea, right? It can be, but some thought is needed to make it meaningful.

OBM is a way to show your team how the business works. Most employees, associate veterinarians included, wildly overestimate the portion of gross fees that ends up in the practice owner's pockets. Employees see the money coming into the practice, but few see how much money is spent on payroll, drugs and supplies, insurance and facility rent. Instead, employees know how much money they make, and they make broad assumptions about where the rest of the money goes.

By sharing financial and productivity information, your team learns more about how the business operates and has a line of sight to the impact they have on those numbers.

Of course, veterinary hospital success also relies on factors that don't appear on financial statements, so share with your team other key performance indicators.

Examples include:

- The percentage of total income tied to professional services versus sales of medications or products.
- The occupancy percentage



for boarding units.

- The percentage of adult dogs who aren't in compliance with your parasiticide recommendations.
- The number of patients on NSAIDs who are due for follow-up bloodwork.
- The number of new clients.

Share metrics specific to the goals you wish to accomplish. By including a mix of financial and non-financial data points in the discussions, your employees develop a broader sense of how they can impact overall performance. Always talk about why and how these measures contribute to the health of your patients. If the discussion is all about money, employees will quickly tune out.

Some Misconceptions

Opening up the books does not mean that everyone knows what everyone else is paid. In conversations I have had with practice owners, many don't want employees to know what the owners make. (Honestly, in most cases, your staff would be surprised that your compensation isn't higher.)

Sharing confidential pay and benefits information is not a requirement and may be ill-advised. However, sharing aggregate compensation figures, either in dollars or as a percent of gross practice fees, can be done without compromising individual privacy.

Along these lines, just because someone asks does not mean that every detail must be common knowledge. To use a ridiculous

example, few employees have a need to know the hospital's mortgage interest rate or the loan terms on equipment purchases. If the information isn't germane to the inquirer's job, there's no need to provide it. At the same time, be generous with facts. You never know when someone will come up with a great idea to save money or increase service revenue.

OBM is not a call to share details that most employees would rather not know and shouldn't have to worry about, such as close calls with covering payroll or late payments to vendors. Employees who receive information without context could inadvertently create fears that the business isn't stable.

How to Implement OBM

If you choose to embrace OBM, here are some tips.

1 Don't share financial data with employees without explaining what the numbers mean. This would be comparable to telling me, a professional business consultant, to diagnose an animal's condition from a lab report. I couldn't do it because I wouldn't know what I was looking at. Considering that many practice owners and managers don't understand 100% of the numbers on financial statements, you can't assume that other employees will do any better.

2 Commit to developing the financial literacy of your entire team. Spend time at every staff meeting (or at least once a month) covering one or two numbers in depth. Invite your CPA to participate on occasion, especially if you work with someone

who can explain accounting jargon in layperson's terms. Also, consider asking an accounting professor at your local community college to provide brief tutorials. These instructors are well versed in adult learning styles. Use games and scavenger hunts as alternatives to lectures. The more engaging the process, the more pleasant the learning experience.

You might decide to share big-picture numbers, such as trends over several years or quarters, instead of all the gory details. Tailor what is shared to the goals you wish to accomplish.

For example, if the practice saw 1,500 wellness exams but did just 500 fecals, what was the impact on the quality of medicine offered and the bottom line? If you want to give raises but profitability has fallen, share details about missed charges, wasted supplies or increased product costs.

3 Ask for input, such as "How can we all do more so that the practice can afford raises?" Help employees see that what they do matters and that they can be part of the solution. Maybe the goal is to buy a \$50,000 piece of equipment. Discuss what you would need to charge and how many procedures would be necessary to pay for it.

4 Give team members the tools to navigate client questions about why a specific screening hasn't been necessary before now or a why charge was imposed for a service that was complimentary or written off in the past. There is almost no answer worse than "Doc says we need to be more profitable." Role-play common scenarios during staff meetings and smaller team meetings so that people become comfortable offering genuine replies.

5 Gauge the emotional maturity of your team as a whole.

OBM relies on sharing and explaining information that most veterinary practices consider confidential and that could prove detrimental in the hands of a competitor.

In the wrong environment, OBM might lead to a sense of employee entitlement. When practice leadership is lax or absent, sharing information to encourage employee involvement and buy-in might cause some individuals to feel empowered to challenge authority and criticize the owner's or manager's business decisions. If you aren't willing to stand up to bullies in your practice, don't give them more ammunition. At the same time, if these employees are willing to challenge your decisions disrespectfully, they could be treating their peers even worse. These people don't belong in your practice.

6 Celebrate successes and share a portion of any monetary gains with employees. After all, they played integral roles in generating those gains. Share the wealth with everyone, not just the people who had great ideas. Someone without much to contribute this time might have a great idea in the future. Since success is all about the team, plan group celebrations.

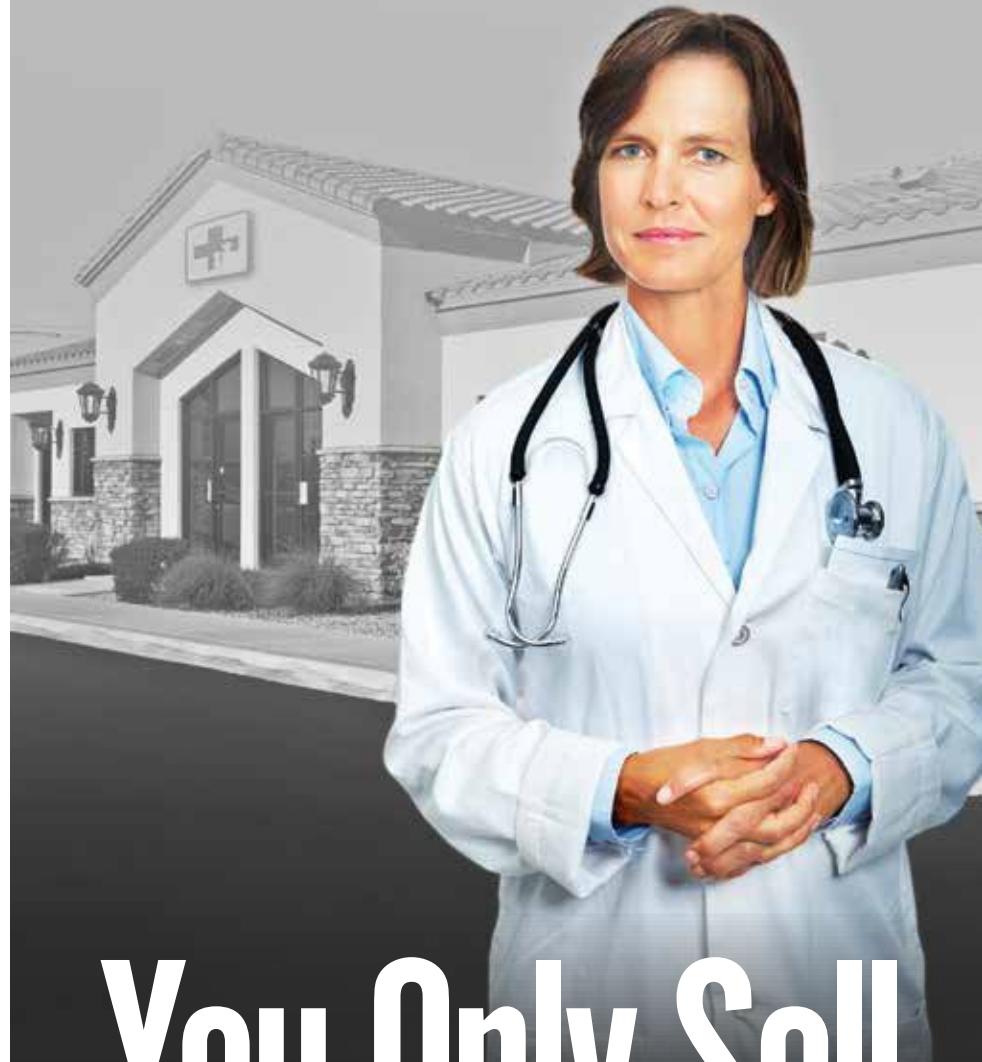
As with most managerial philosophies, OBM isn't something you try out for a few weeks or months to see if you like it. Sharing information and helping people understand it takes time, as does determining how or whether employees will participate in making improvements.

Trusting your team with financial information can further increase the trust between you and your employees, and help them see how their actions or inactions affect the practice. ■

Money Matters columnist Leslie A. Mamalis is the owner and senior consultant at Summit Veterinary Advisors. Learn more at www.summitveterinaryadvisors.com.

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