

Measuring success

Alan Suggett explains how to judge entrepreneurial performance.



Do you know what your underlying profit or loss is? In my experience, while most dentists know what their turnover is, very few have a sense of their performance as a businessman or woman. Yet, it is quite possible to measure your entrepreneurial success.

Each year, members of NASDAL (National Association of Specialist



Alan Suggett

is a Chartered Accountant and a partner in UNW LLP.

Dental Accountants and Lawyers) compile a database of hundreds of our clients' profit and loss account statistics, from which we produce 'benchmarking' information.

I use these statistics to examine the success of my clients (I act for over 160 dentists). I can now reveal that in the last financial year, the average principal in a private practice operated at a loss.

How did I work this out? The NASDAL benchmarking information includes the average profit and loss account of a private practice (as well as the same for the average NHS and mixed practices). The average principal in a private practice, in the 2012 survey, earned profits of approximately £118k. This is less than the previous year (when the corresponding amount was approximately £126k), but a reasonable sum many would think.

However, delving deeper, what



impact would it have if we make an adjustment for the amount the principal would have been paid if, instead of being the practice owner, he worked in the practice as an associate?

The average principal dentist, if he were paid as an associate, would have earned £119,000 in the year (just for the clinical work, not including any payment for managing the practice).

So, the underlying business result per private practice principal was a loss of approximately £1,200. Meanwhile, the equivalent for a principal with an NHS contract would be a profit of over £41k. If the practice owning dentist is happy with his life as a private principal, perhaps this loss is worthwhile when other factors such as independence, freedom of choice, and flexibility, are taken into account. If, on the other hand, you agree that your performance as an entrepreneur

is important, then knowledge of your practice performance is essential.

In my travels around the country talking to dental practice owners, very few know what the underlying profit (or loss) of their practice is. Hardly any accountants carry out a review to calculate and highlight this.

In addition very few practice owners benchmark other important practice key information – what is the average percentage of fee income spent of materials, laboratory fees, staff wages and so on? If you don't know what your real profit is, or key expense ratios, how can you measure the success of actions to improve them?

If, on the other hand, you agree that your performance as an entrepreneur is important, then knowledge of your practice performance is essential.