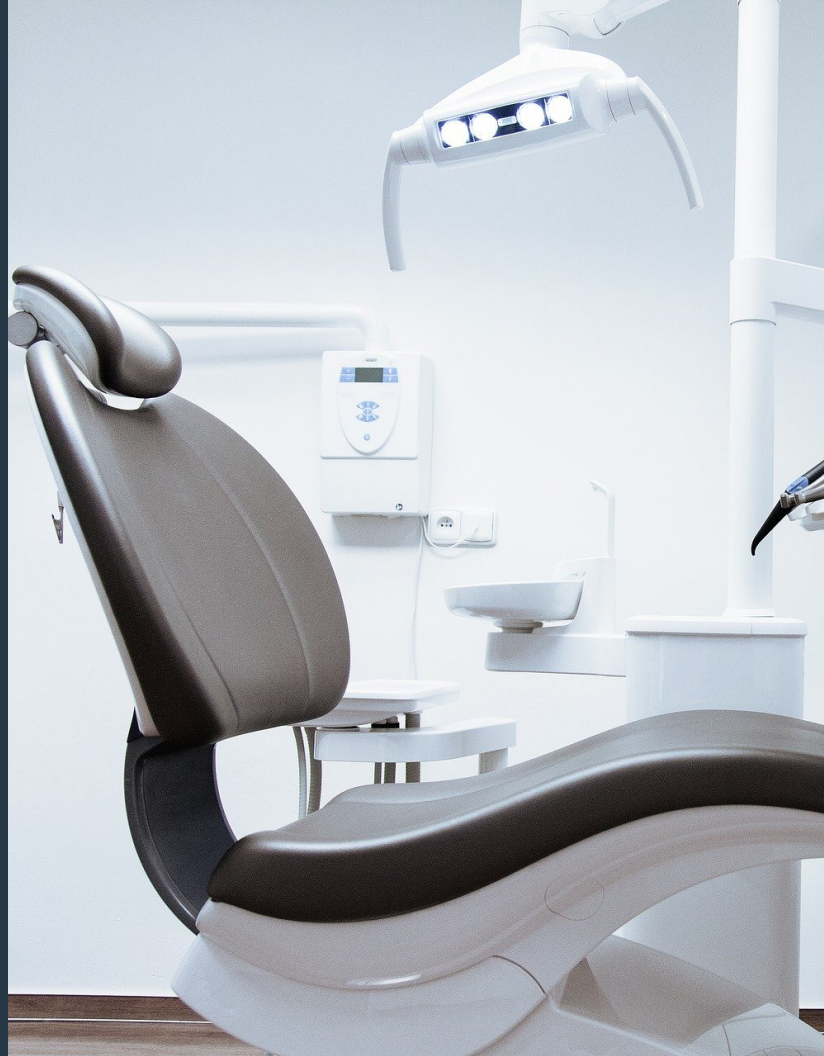


HOW TO TRANSPARENTLY SHARE FINANCIAL INFORMATION WITH YOUR TEAM

(without giving up
control)



An in-depth guide for
dental executives from the
Spark Dental Network.



IF I ASKED YOU TO BE FULLY TRANSPARENT WITH YOUR TEAM ABOUT THE ECONOMICS OF YOUR PRACTICE, HOW WOULD YOU FEEL?

Would it be terrifying or business as usual? Most practices that I have worked with over the years fall somewhere in between. **In this report, you'll discover why financial transparency is good for the health and growth of your practice and how to share information while maintaining your position of leadership and influence.**

LESSONS FROM GOVERNMENT WORK

I have an associate who owns a marketing agency. He has created total transparency with his team about the financial aspects of the business. It's one of his company's greatest strengths. When I first asked him how he learned to do business that way, he jokingly said, "government work."

Truth be told, he DID learn that transparency from government work... by working with government contractors. Government contracting uses "cost plus contracts" and "T&M" or time and material billing.

In short, you must disclose your sources of cost, your cost basis, your overhead factors, and your anticipated profit and it all must add up. That is what you are getting sign-off on.

The trouble is, there is no universal definition of Cost Plus or Time & Material Contracts or billing, and this creates confusion and misunderstandings almost immediately in any contract. Even attorneys practicing law in the same town will often have different definitions of what is a Cost Plus or Time and Material Contract.

When my friend left the world of government contracts to launch his marketing business, he felt that transparency was vital. In his business, everyone has an understanding that profit is one of his core values, not a dirty word.

The business (and its owner) exists to provide a service in exchange for a profit. There is always a difference between the “buy” price and “sell” price. This isn’t a complex idea, it’s how business has been conducted in America and worldwide forever.

For him, being transparent allows him the luxury of being able to garner support from his team. He is open about his fees. His employees know the fee quoted to clients for projects. His partners know what percentage they are required to share on joint ventures. **Everyone knows how much money is on the table and what needs to be done.**

Because of that full transparency, he doesn’t have to have an awkward dance while trying to hide what happens behind the scenes from what happens out front. Everyone knows the economics of what they intend to do. **Transparency gives him the agility to have a short but meaningful conversation about situations without hiding unintended consequences, or fear of a situation going south.**

TRANSPARENCY BREEDS CLARITY

So, to talk transparently and share economics and financial data with your employees goes with the theory that you, as a dentist, have an obligation to get them on your page. **When profitability is a core value installed in the hearts of all your employees, you can have heart-to-heart conversations about anything that is hurting the company’s profitability.**

If you don’t have that transparency, you’re going to have fears and issues worrying about things like if the team finds out how much you make, are they going to be resentful?

In reality, emotionally mature and healthy employees don’t resent that you make more than they do. People resent not having a full picture. Nobody’s going to come to you and say, “Hey, in yesterday’s meeting, we found out that you’re making a million dollars a year in take-home pay you greedy #\$\$@&! How about you give me a \$2 an hour raise?”

It doesn't happen that way. In a functional business, people don't come to you, looking for more money simply because you are making more money than they are. People come to you looking for more money because they need more, or they believe they deserve more.

Most employees also don't have an appreciation for the debt (risk) that most doctors take on to purchase a practice, build a practice, or expand a practice. All of these actions result in more opportunities for the employees, but aren't necessarily reflected in the company's profitability. If an owner had profitability of \$250,000 in a year but \$100,000 was needed for debt service, the employees' perception of what the doctor makes and what ends up in the doctor's bank account are two very different things. **Additionally, when that debt is paid off, the doctor should be rewarded for the risk taken on and should not be shy about realizing a return on the investment.**

For the most part, it is irrelevant to worry that sharing company economic details with your staff is going to cause some awkward conversations between you and the staff. Of course, that doesn't mean you should post the entire payroll spreadsheet on the employee bulletin board for everyone to see! You don't need Nancy knowing how much Eric makes and Eric knowing how much Nancy makes so they bicker about it. **But reasonable, round number information sharing, that talks about the macro economics of the practice on a daily, weekly, monthly, quarterly and annual basis, and microeconomics of transactions and decisions that they make on a day to day basis is a healthy conversation to have.**

When you practice transparency, you can expect to see changes internally, and as you grow new hires will also notice the difference. Being open and honest about your organization's culture, priorities, financial picture, and salary ranges in your job postings and during the interview process allows candidates to self-select more efficiently. **You'll find that your recruitment efforts will attract people who are truly invested in your mission and organization and are more likely to be successful within your culture once they are hired.**

HOW TO FOSTER TRANSPARENCY IN YOUR PRACTICE:

One of the best ways to foster transparency is to ensure that all leaders, supervisors, and executives promote frank conversations with their teams. This lets all employees, regardless of their level, ask hard questions of the leadership team, inquire about the financial status of the company, discuss their frustrations with a particular project, or bring up issues that may not have become apparent to the leadership just yet. Employees who feel free to be candid will benefit from both public and private opportunities to bring up their concerns, and, offering both options to the team may yield some surprising results.

BE OPEN ABOUT BAD NEWS

Be more forthcoming about bad news. If the leadership is willing to share bad news and even admit their own mistakes, it makes it easier for employees to do the same. One key point here is to share the bad news in an objective manner; just state the facts. People like being kept in the loop, but don't necessarily benefit when you share bad news and then discusses potential ramifications on a doomsday scale.

DON'T NEGLECT GOOD JUDGMENT

While honesty is great, there is something to be said for prudence. Transparency does not include sharing performance reviews, salaries, bank information or other incredibly sensitive information about the team. This can and likely will lead to resentment by employees, especially if they see the information in a negative light. Every practice will have a different comfort level when it comes to discretion, and your key leadership, in conjunction with their employees, must know where to draw the line.

CREATE A VARIETY OF OPEN COMMUNICATION CHANNELS

Using technology such as team working apps can help create various open communication channels. You can use a website, mobile productivity apps, and even email to keep all of your employees up to date on important information.

CONSIDER STAFF FINANCIAL WELLNESS

A significant part of the mental and emotional health of working adults centers around worries about money. **According to surveys by the Board of Governors of the Federal Reserve, 54% of workers report feeling stressed about their finances.** The Federal Reserve found that 41% of American adults could not cover a \$400 emergency with cash, savings, or a credit card they could pay off entirely when the statement came in. So, if the car breaks down, the lease is up, and they need to pay a security deposit; a long-distance relative is sick and they need to get on a plane; or they break their eyeglasses and don't carry vision insurance, they're stuck, and stressed. One financial crisis can completely disrupt their lives.

That stress can easily spill over into the workplace. It's been reported that these same 54% of workers spend 3 or more hours thinking about, or dealing with, financial issues. **They're at their desks but their minds are elsewhere, and struggle to meet deadlines and maintain standard levels of productivity and quality work.**

It's not just problem-solving that has these employees preoccupied. They may feel embarrassed by their situation or humiliated by their need to seek help. Admitting they are struggling financially makes them feel not only socially vulnerable, but financially vulnerable too.

So, remove the stigma of discussing money and build culture. Your employees are at work for many reasons; making money is one of them. Cultivate an environment where talking about money is accepted. **For employees to feel safe sharing their personal challenges, focus on creating a culture of trust, transparency, authenticity, respect, and emotional safety.**

Really, transparency is just honestly sharing information. Update the entire company regularly on financial status, practice strategies, and current events. Sharing your vision for the future helps everybody feel like a more vital part of the team, with a deeper connection to the work. If you employ a well-structured incentive compensation plan, sharing information is the only way the employee will understand how their job translates to financial results and how to best maximize those. Understanding the company's vision can also help your employees develop their own career path within the practice in which to hopefully realize some of their financial goals.

The days when employees were willing to blindly trust owners about financial matters are long gone. People are concerned about the sustainability of their company, their own jobs, and whether they've made the right choice. **Your best people will stick with you through thick and thin if they know what's going on and can see a path to success.** You don't do yourself any favors by holding back information, because the assumption will always be there, and without data, it will likely be negative.

Hopefully the concepts discussed in this report make sense for your practice. If the concept of financial transparency without giving up control sounds interesting, but you need more specific guidance, I've got you covered. Our team at Spark has been helping dentists, dental practice groups, and DSOs radically increase production and skyrocket the value of their entire enterprise.

We'd love to help you make sure that you create the perfect balance of financial transparency for your company. Take a proactive step now and schedule your FREE strategy call with one of the Spark leaders. Simply call Krista Hoyland at 866-277-2758 and mention that you've read the "Transparency" report.

