



By Kia Pajouhesh

Making hay while the sun shines - the downside

“In the panic to retain existing, and recruit new, ancillary staff to fuel your growth, did you make ‘battlefield decisions’ to offer staff exorbitant hourly rates that are unsustainable in a weakening economy?”

The best performance barometers for dental practices across Australia are the supply companies providing them with consumable products. This is because a practice’s top-line revenue is directly tethered to its usage of dental consumables.

My research of supply companies across a range of products - including preventative, restorative, implants and sequential aligners - points to an annual drop in dental industry revenue of 12-14% in recent times.

Such a trend should be of great concern to owners of dental practices in this country. Similarly, associate clinicians and ancillary staff working in dental practices are becoming increasingly nervous, with growing appointment cancellations and patients failing to attend, decreasing new patient numbers and lower treatment acceptance rates.

I suspect this downward trend will almost double in the next 3 to 6 months with the depletion of much of the discretionary spending that modern-day dentists are increasingly relying on. As government stimulus dries up, interest rates respond to persistent inflation, the housing shortage and landlord pressures push up rental prices and the fear of losing one’s job spreads through our community, the most likely trend in consumer confidence and resultant spending is... downward.

It is commonly accepted that it is difficult economic times that require the hardest business decisions, mostly in the form of cost cutting in relation to your workforce. But equally, difficult decisions are made by business leaders in expansionary economic times. If, as a business owner, you concur with Warren Buffett’s caution that we should be “fearful when others are greedy”, conservative and defensive decision-making in recent growth years would have weighed heavily on you as you curbed your exuberance, but those very decisions will now certainly pay dividends as the economic pendulum shifts back.

As owner of the Smile Solutions Group, with its proud longevity, I have shortlisted ten questions for inexperienced and/or over-exuberant business owners in the dental sector.

- 1** In the panic to retain existing and recruit new ancillary staff to fuel your growth, did you make “battlefield decisions” to offer staff exorbitant hourly rates that are unsustainable in a weakening economy?
- 2** In the consumer-fuelled frenzy, did you borrow heavily to invest in expansion plans and equipment purchases seduced by instant write-off tax benefits?
- 3** Were you enticed into a Treatment Coordinator business model that is now seeing free consultations empty out of the coordinator’s appointment books?

- 4** In your grand plans for growth, did you offer high commission percentage rates to a growing posse of associate dentists that provide your business with little or no margin of profit and no room to boost your marketing budget in the looming downturn?
- 5** Were you coaxed into paying oral health therapists and dental hygienists hourly rates that are beginning to break your bank?
- 6** In the glow of success, did you make promises to your staff and associate clinicians that are becoming progressively more difficult to uphold, damaging the fabric and culture of your workplace?
- 7** While the sun was shining, as they say, did you consider the high cost of making staff redundant in difficult times or the risks of adverse unfair dismissal action in downsizing a burgeoning business?
- 8** Did you spend big in business and live large at home to leave little or no reserves for the cashflow challenges that await you?
- 9** After three decades of economic growth, did you over-leverage your property portfolio such that you are now burdened by loan repayments and potentially facing a mortgage cliff as your fixed loans expire?
- 10** Did JobKeeper distort your business profits to levels where you got way ahead of yourself in many of the decisions you have made since?

I can say frankly that, in many of my post-lockdown commercial decisions, I have wrestled with temptation. I consider the past two years of my 30-year career in dentistry as the most challenging, notwithstanding the economic highs the Smile Solutions Group has enjoyed. Oddly enough, the painfully defensive decisions I have made - against the grain in a pool of perceived opportunity - are now enabling me to feel positive about trading in the difficult economic times ahead.

Most importantly, I am optimistic about providing our people with the guarantee of job security, opportunities and growth pathways in a looming economy bereft of these necessities.

About the author

Dr Kia Pajouhesh, a University of Melbourne graduate, established Smile Solutions in 1993. Situated in the heart of Melbourne’s CBD and incorporating the Collins Street Specialist Centre, Smile Solutions is the largest singly located dental practice in Australia engaging over 80 clinicians, including 20 board registered specialists. Together with his Core Dental chain of practices, he controls over 100 chairs across Melbourne, with a combined patient base of 350,000.