

Outsourcing and Veterinary Medicine

Out-source \ 'aüt-,sòrs\ *to procure under contract (as some goods or services needed by a business or organization) with an outside supplier.*ⁱ

The business of outsourcing in veterinary medicine, or rather the *lack* of outsourcing, is an interesting phenomenon to consider. From a purely historical perspective, outsourcing has been an extremely successful method of conducting business in corporate America for over a century. Businesses discovered that it was far more cost effective to purchase certain goods and services from others than to attempt to do everything in-house; as a result, businesses were able to focus on their strengths and produce products and services that were far more accessible due to cost effective production. Yet for most veterinary practices this business model remains in its infancy, and as a result opportunities for increased revenue and efficiency have been overlooked.

Perhaps one of the biggest reasons for the lack of outsourcing by veterinary hospitals is that as an industry in general we have struggled with the changing perspective of our business models. No longer are veterinary practices small individual entities unto themselves. Rather, the task of owning and managing a successful practice has become far more complex over the last decade, and like it or not, it requires far more management and business knowledge than ever before (traditionally not skills in which veterinarians excel). Veterinary business owners that are not quick to get on board with change put themselves at a great disadvantage from their more visionary counterparts, who have already chosen to take advantage of outside expertise to run and promote their hospitals. As practices increase in size, and competition between practices abounds, owners must shift their “do it myself” mentality in order to flourish.

Clients still expect the personalized care and service that comes with the smaller veterinary clinics, but at the same time they also demand increased efficiency, online access to your business, and a facility that does not look like it hasn't been updated since the 1970s. These expectations are difficult to meet, and almost impossible for those that continue to believe that anything you must pay someone else to do is just money out of your pocket with no valuable return on investment. Would large corporations outsource if it meant losing money? Of course not! What these companies understand is that there is a cost to benefit equation that must be considered; when the equation proves that parting with money now leads to greater success and increased future revenues, outsourcing is clearly the intelligent approach.

Let us examine this cost to benefit equation for a moment, because it is not as simple as it sounds. This equation also takes into consideration the factors of both *time* and *quality*. With regard to quality, there is simply no one in the world that is good at everything! Peter F. Drucker, a highly respected author on business management, puts it best: “One cannot build performance on weaknesses, let alone on something one cannot do at all.”ⁱⁱ Take this one step further and consider that if a project happens to mean undertaking tasks which you are neither very good at or enjoy, chances are that it will get pushed even further to the bottom of your “to do” list. We do what we like to do and that which we are good at – it's human nature!

As for the time factor, even if you are veterinarian who also happens to be a CPA, MBA, Computer Genius, Graphic Designer, Interior Designer and all around fix-it person, one very important fact remains...there are not enough hours in the day for you to do it all yourself! How many of you have been planning to update your website or paint the exam rooms for the past year but just have not

gotten around to it? Take a minute and think about the many projects you have been planning to complete but have been unable solely due to a lack of time. Clearly the choice not to outsource some or all of these projects, in order to get them underway and completed, can be a major source of lost opportunities.

One thing to keep in mind is that there are some projects where *internal* outsourcing may be a viable option. Internal outsourcing refers to the utilization of the unique skills of someone within your practice. Many of us have employees who had previous careers in other industries, and one of these individuals may be just the right person for a project that needs completing; just make sure to do your due diligence and research their abilities as you would when hiring any other service provider. It is also important to be clear that this is completely separate from their duties as a practice employee. When it works, this can be a great way to keep things in-house, provide extra income to a valued employee, and probably save yourself some money as well.

Some of the most common areas in which a veterinary practice can benefit from outsourcing include financial planning and analysis, bookkeeping, payroll processing, benefits administration, marketing, website, social media, client communication and the hiring of veterinary and managerial staff members. Let's take a closer look at just a few of these areas:

Taxes, Financial Expertise & Analysis

Consider a scenario in which the person who has been preparing your personal taxes for years has also been preparing the taxes for your practice, and happens to be one of your closest friends. While this is technically outsourcing, it is based solely on friendship, convenience, and probably price, none of which are good reasons to pick a service provider. You have a part-time bookkeeper that pays the bills and enters them in Quikbooks, and at the end of the year you send your friend the reports he needs to prepare your tax returns. It's cheap and easy and so far you haven't been audited, so it's working just fine, right? Wrong.

In the same scenario consider that the practice has added another doctor, several staff members, and increased its gross by over one hundred percent. Still, neither the owner nor anyone else is taking the time to review financial reports, such as profit and loss statements, on a regular basis. Granted your taxes are still being filed on time, but what about the wealth of information and assistance that the expertise of a Certified Public Accountant can provide. For example, a CPA keeps current on the multitude of tax laws and changes to ensure that a practice owner is benefiting from or minimizing his or her exposure, whichever the case may be. They also review financial statements on a monthly or quarterly basis to look for discrepancies or potential problems; for example, inventory costs are excessive based on sales, dentistry income has been declining for the past three months, or payroll is far higher than recommended percentages. Without the assistance of an industry knowledgeable CPA, practice owners often do not realize these issues until much further down the line, causing them to incur tremendous losses that could easily have been avoided. While at the outset the fees for a CPA may seem large, the expertise provided not only quickly pays for itself, but has the potential to greatly increase your bottom line.

Hiring

The hiring of veterinarians and managers (and sometimes other staff members as well) is probably the area in which most veterinarians are unwilling to outsource. Unfortunately most of this has to do with sticker shock, since these services are often twenty to twenty-five percent of the hired individual's first

year salary. Although it is a very short-sighted approach, when most owners here this figure their interest in outsourcing comes to a screeching halt.

Let's focus on hiring veterinarians. There is a big difference between *wanting* another veterinarian and *actively seeking* another veterinarian. Actively seeking involves placing advertisements, collecting resumes, phone screening and interviewing, all of which require a great deal of time and effort. What it doesn't mean is just hoping for a miracle or expecting the "perfect" candidate to walk in the door and beg you to hire them. That's probably not going to happen! Another way to look at it is if an owner has the time to aggressively recruit staff, there would be no need for an additional veterinarian! The key is to determine whether the lack of an additional veterinarian has had a negative impact on growth and revenue. If the answer is a resounding "yes," then outsourcing is the best option. The right company will not only find someone faster, but will do all of the leg work so that an owner's time is not taken away from an already overwhelming schedule. Once a successful match is made, and the new veterinarian begins working, the service will literally pay for itself in just a matter of months.

Marketing Materials

For most practices, the choice to create marketing materials in-house, either in print or on the internet, is one of the worst decisions that they can make. Unfortunately, in an effort to cut costs, many are still doing just that. Let's face it, *looks matter*, and today's consumer has very high expectations. It is no longer okay to create hospital brochures from a word document on your copier, or use the same logo image as the practice across town. Image plays a tremendous role in a client's decision to bond with a practice, and as such it must be consistent, professional and memorable. While it isn't necessary to hire a Madison Avenue ad agency to create your logo or design your brochures, it is critical to invest in a professional company that offers these services.

Website

It's a fact. When searching for an animal hospital in their area, new clients admit to choosing the one with the best looking website and the most updated information.

Competition is now a real concern for practice owners and the importance of an online presence is a huge force behind those that survive and those that do not. Veterinary hospitals that understand this report as many as 80% of their new clients list the quality of the practice website as the decision making factor in their choice to seek their services. These websites are dynamic, professionally made, simple to navigate, and offer content that is informative, current and well written. In order to get the maximum reward possible from a website it cannot be done by an amateur! In fact, having an outdated or "homegrown" website can be more damaging than having none at all – it is much easier to redeem yourself if you have made no impression than it is if you have made a poor one! And if you don't think people remember, think again.

Another reason hiring a professional is so important is their understanding of the intricacies of the internet; for example, ensuring that your practice is strategically placed on search engines and appears under multiple search terms. These are all crucial for practice exposure, yet have absolutely nothing to do with veterinary medicine, but everything to do with the growth and sustainability of a practice. If paying for these services is an issue, consider that a quality website is far cheaper than even a small ad in the yellow pages, and it is so impactful that you will actually be able to cancel your ad once the website is up and running!

Social Media

As for social media, it is the latest “product” that has been added to the mix of small business “must haves” for gaining exposure and promoting client loyalty and retention. Entire studies are being conducted on the positive effects of social media on businesses, and it is truly a topic unto itself. A 2009 study found that financial performance increased by as much as 18% in one year for companies engaged in social media. Comparatively, companies that did not engage in social media opportunities saw an average revenue decline of 6% in the same time period.ⁱⁱⁱ These figures are incredible, considering that social media barely existed five years ago!

Since just having an up-to-date website can be a challenge, it is no surprise that many veterinarians and practice managers do not relish the idea of having to include social media sites in their list of things to-do. The perfect solution is to outsource the task of maintaining a current presence on social media sites, and it may be perfect opportunity for internal outsourcing, since many employees are incredibly social media savvy (just be sure that they can be trusted to mind their online manners).

How to Find Resources

While this can often be the most difficult part of outsourcing, there are now many individuals and companies that are catering their services directly to the veterinary industry. They have often come from within the industry itself or have chosen to create a niche within the market. As with anything, though, it is important to do your research and ask for references to ensure that whomever you choose to work with has an excellent reputation and the experience to back it up. One excellent resource is VetPartners, which is an association of veterinary consultants and professionals; their website, www.vetpartners.org, offers an online membership directory with the ability to search based on services provided.

Regardless of the service to be outsourced, make sure to consider the following when choosing a service provider:

- Can they provide several references for you to contact?
- If applicable, are there examples of their work that you can see?
- Are they accessible and easy to work with?
- How long have they been in business?
- Have they worked with other animal hospitals before or is this uncharted territory for them?
- Do they meet deadlines, and if not how will you be compensated?
- Are they reasonably priced for what they offer?
- What is their fee structure?
- Will you have to sign a contract?

The following are some additional due diligence considerations specifically for outsourcing the task of hiring staff. A quality firm should do all of the leg work including:

- A thorough screening process and written interview notes from at least two interviewers
- Obtaining a writing sample from the candidate
- A minimum of three reference checks
- License and background checks
- Drug screening
- Replacement guarantee (for a limited time period)

The more complex the job of owning and running a business becomes, the more important it will be for veterinary practice owners to become adept at understanding and evaluating the cost to benefit equation with regard to outsourcing. Fortunately, there will also continue to be a growing number of service providers focusing on the needs of veterinary practices. This will keep prices competitive and options plentiful for veterinarians seeking quality companies to whom they can outsource.

The ability to understand and accept a business model that utilizes outsourcing is a crucial piece to owning and running a successful veterinary practice in today's competitive marketplace. It is also the best guarantee that veterinarians will have the opportunity to continue focusing on that which they do best... earning income by providing high-quality medicine for animals.

ⁱ "Outsource." Merriam-Webster Collegiate Dictionary. www.merriam-webster.com.

ⁱⁱ Drucker, Peter F. *Managing Oneself*. Cambridge, MA: Harvard Business Review Classics. 2008. (originally published in March, 1999 and January, 2005 in the *Harvard Business Review*)

ⁱⁱⁱ "The World's Most Valuable Brands. Who's Most Engaged?" ENGAGEMENTdb, July 2009.