

BUSINESS MANAGEMENT BY CHUCK YENKNER

Manage Smarter

with **Key** Business Indicators



Chuck Yenker

Managing a laboratory can be stressful on a “good” day. On a “bad” day.... Well, let’s not go there. One major contributor to a lab owner’s or manager’s stress is the fact that he or she is getting pulled in so many different directions. Dr. Big Account is on the phone with a question on a case; the gold tech has a question on casting; one of the ceramists called in sick; the local supply sales rep is in the lobby; the air compressor just died; and so it goes.

With all that happens daily, it’s really easy to lose focus on how your business is doing. Are you on track to achieve your business goals? Is your lab performing better or worse than last month? Last year? Perhaps in your “gut” you know that you could be doing better but can’t pinpoint how.

DEFINE AND MEASURE

Key Business Indicators help a business define and measure progress toward meeting its goals. They can help you manage your business, keep you on track, and point you in the right direction.

A set of reports prepared daily, weekly, or monthly, Key Business Indicators can quickly give you the pulse of your business. They give you a read on what’s going right and an indication of potential problems (hopefully in time to correct them before they become too serious).

The ideal KBI is simple to prepare, should be run religiously, and focuses on a key aspect of your business. Each business is different, however a KBI should complement a business’ overall targets and relate to its core activities. The key is to develop a set that works for you. Here are some suggestions you might want to consider:

1. Daily sales & unit report

Gives you a tally on the previous day’s sales dollars and the number of units produced. I’d suggest adding a running comparison to your daily goal. For example, your daily goal might be \$2,000 and 14 units per day. Don’t get hung up on defining a “unit”. As long as you define it the same way month to month, it’s fine for comparison purposes. Looking at both dollars and units is important. Looking at one with out the other can be misleading. Roll up this report to make a monthly comparison and also yearly.



2. Monthly units/technician/day

Divide the number of units your lab produced in one month by the number of technicians on your staff and the number of working days in the month. This report gives you the number of units produced by each technician per day. Now you can tell whether your staff is getting more or less productive. It also can be an indicator for adding (or reducing) staff.

Be sure to only include technicians for this indicator; not drivers of front office staff. Obviously, these numbers will vary by lab and how you define units, but a good number to use here is 2.5 units per day for a full service lab and 3 per day for a crown and bridge lab. Roll this report up and develop a yearly comparison to previous months.

3. Monthly revenue/lab staff

Divide your monthly sales by the total number of employees. This report tells you the money generated per employee. The resulting number varies widely by industry. McDonalds Corp., for

example, generates a little more than \$3,000 per month per employee. A good number for a dental lab is \$12,000 to \$14,000 per month. The key here is to look for trends.

4. Monthly labor/revenues

Divide your total labor costs by your total sales to determine the percentage of sales your labor is costing you. This includes benefits and overtime. A good target to shoot for is 35% to 40%.

5. Monthly Materials/Revenues

Divide your total materials cost (including gold) by your total sales. This report tells you the percentage of revenues that you are spending on materials. A good target for this calculation is 20%.

Different labs use different indicators. It’s important to develop a set that works for you and that feels comfortable using. An old wise business person once said “if it can’t be measured, it can’t be managed.” KBIs provide a measurement tool that will help you focus and manage smarter. **lab**

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