

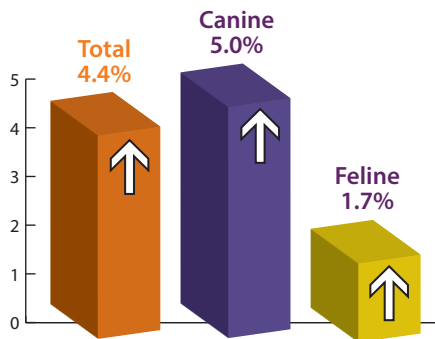
The Insider's Insight Benchmark Report is a publication provided by the Veterinary Hospital Managers Association (VHMA). The report tracks key economic indicators to determine how VHMA member practices are performing, as well as results from VHMA surveys on issues impacting the profession. There are approximately 600 VHMA member practices who contribute to the data for the key economic indicators. Data is representative of companion animal practices only.

Page 1 of 8

## July, 2018 vs. July, 2017

### Revenue Growth

July, 2018 compared to July, 2017

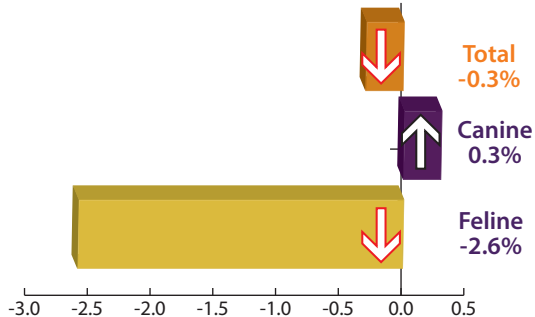


### Revenue Growth

Companion animal practice revenue for the 587 VHMA practices included in this month's study showed higher growth in July compared to all other months in 2018 except January. Total revenue growth was 4.4% from July, 2017 to July, 2018; both months had the same number of work days in them so that wasn't an influence. Canine revenue growth was 5.0% and feline revenue actually grew as well by 1.7%. Year to date growth for 2018 is 3.7%; this is lower than 2017 growth of 5.1%.

### Patient Visits

July, 2018 compared to July, 2017

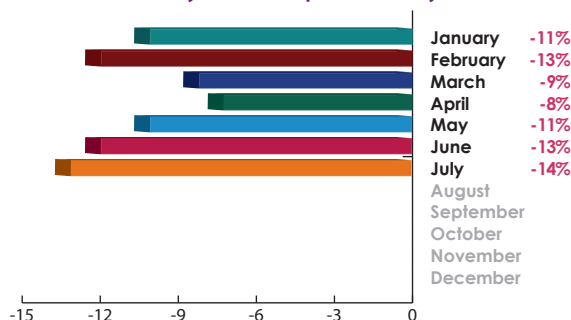


### Patient Visits

Total unique patient visits actually declined by 0.3% in July, 2018 compared to July, 2017. Canine visits grew by 0.3% but this growth was offset by a large decline (2.6%) in feline visits. As noted above, the number of workdays in July of each year was the same so this isn't a factor in the decline. Year to date visits for 2018 have declined by 0.3% compared to total 2017 growth of 1.3%. (Note that the term "visits" is defined as unique purchases of either products or services for an individual pet.)

### New Client Growth

July, 2018 compared to July, 2017



### New Client Growth

New client numbers in July, 2018 compared to July, 2017 declined by 14%. This continues to be a discouraging trend as these numbers have declined almost every month of the last three years. Total new client numbers for year-to-date 2018 have declined by 11.4%.

Remember that the above figures represent averages across all the practices in the study; in order to understand what is going on in YOUR practice, you need to look not only at what your revenue growth was during these months (and going forward) but also at the drivers of growth in YOUR practice such as changes in invoices, visits, ATC, fee increases, new clients and client retention. This will give you the information to make intelligent decisions about where to focus your time and efforts to increase growth.

## Holding On To Employees

by

Karen E. Felsted, CPA, MS, DVM, CVPM, CVA PantheraT Veterinary Management Consulting

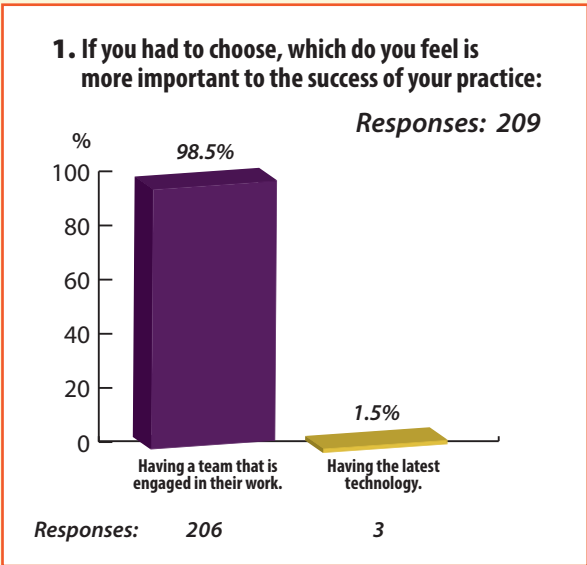
No matter what other issues we have to deal with in veterinary medicine—pushback against price, declining veterinary visits (again!), and pet owners who believe everything they read on the Internet—finding and keeping great employees has become increasingly difficult and is essential to providing outstanding patient care and client service, practice growth and financial success for the hospital. This month's *Insiders' Insights* survey focuses on some of the issues related to finding and keeping the right employees.

The first questions ask about employee engagement;

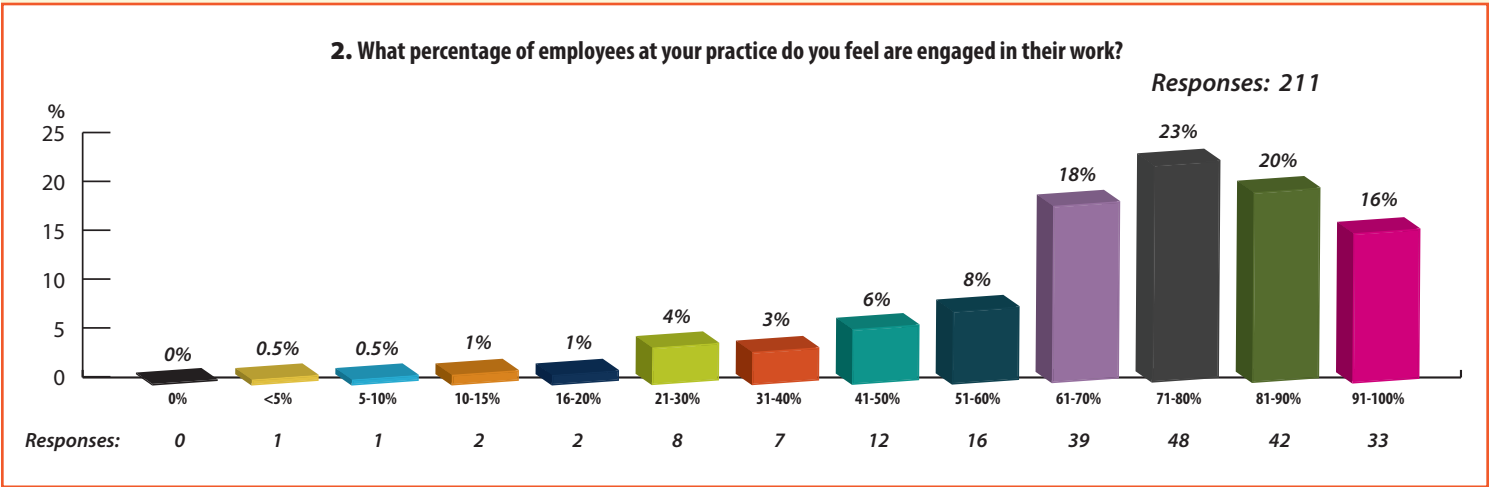
for the purpose of this survey employee engagement is defined as the emotional commitment the employee has to the organization and its goals. This emotional commitment means engaged employees actually care about their work and their company.

Question #1 asked: ***"If you had to choose, which do you feel is more important to the success of your practice?"***

Many things are important to practice success but without engaged employees, success will be much harder to come by.



The next question asked: ***"What percentage of employees at your practice do you feel are engaged in their work?"***

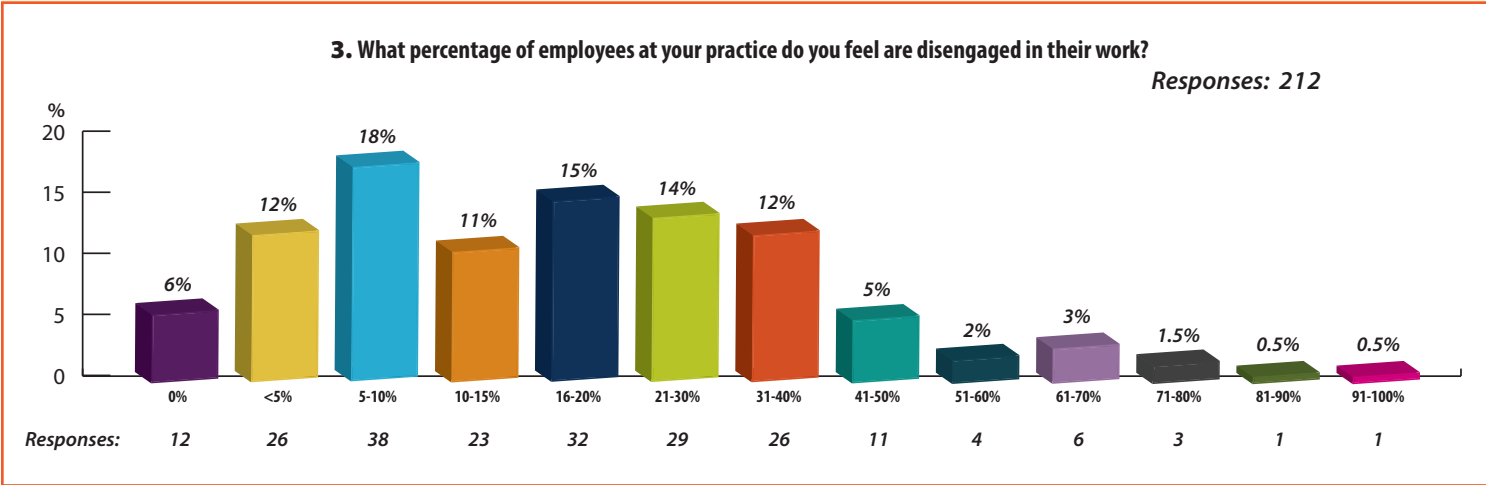


Answers ranged from <5% to 91-100% with almost 60% of the respondents saying that 71% or more of their employees were engaged. These are high numbers compared to many other businesses; some of this is no doubt due to the type of businesses we run. It is easier to feel committed to taking care of pets than making

widgets. It is critical to not confuse an employee's engagement and commitment to the profession with engagement and commitment to your practice. If the commitment is more to the profession, the employee could easily leave and find a job in another practice.

continued on pg. 3

Question #3 asks the reverse, “What percentage of employees at your practice do you feel are disengaged in their work?”



About 90% of the respondents said 40% or fewer of their employees were disengaged. Obviously there will be a middle group of people as well who are neither engaged nor disengaged.

Employee engagement is a murky and multi-faceted topic. Many owners and managers of small businesses aren’t even sure what employee engagement programs are, much less if and why they are important. There are many different definitions of employee engagement, both academic and more informal in nature but in general they have to do with (as defined above) the employee’s emotional commitment to the organization they work for and its goals. Engagement isn’t the same as employee happiness or work satisfaction. It’s a more active connection—engaged employees do more than they have to. Employee engagement leads to higher quality of service, higher customer satisfaction, increased productivity, and higher levels of profit.

Businesses who use engagement programs offensively (i.e. as a strategy) differ from those who use them defensively in the following ways:

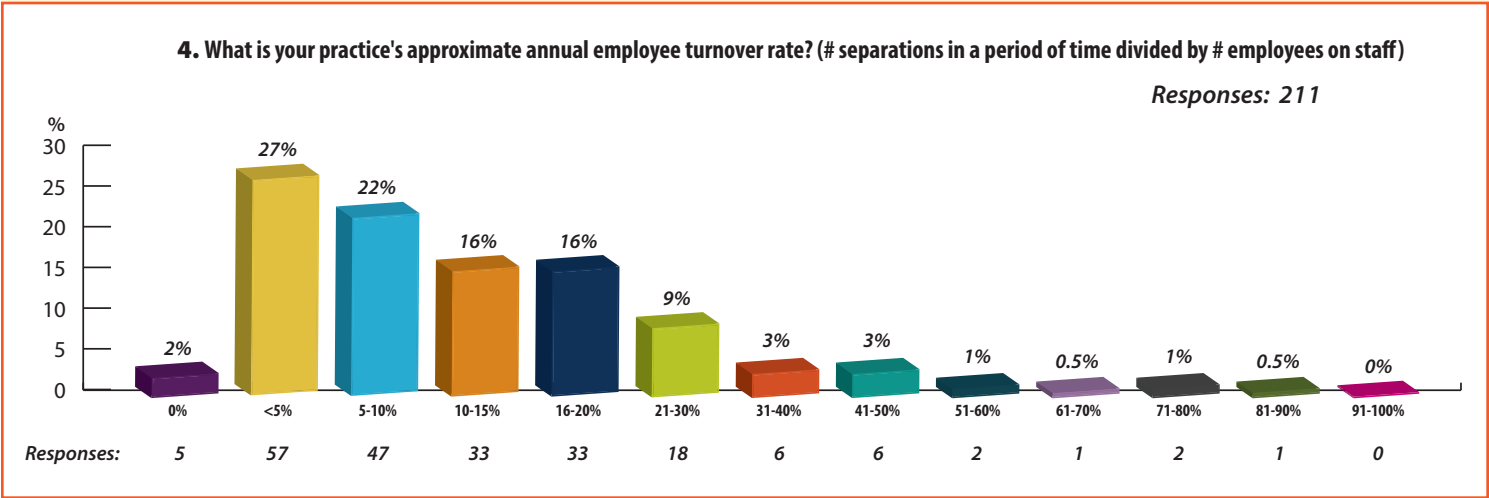
- They believe strongly that a business is a partnership between the company and its employees and that focusing on employees’ long-term financial well-being drives productivity, quality of work and retention
- They have a strong emphasis on comprehensive health and wellness coverage that goes beyond

offering health insurance. Other wellness options include free or reduced cost gym memberships, onsite nutritional counseling, smoking cessation programs, etc.

- They rely on experts—all work with financial professionals to get the types of programs they need to engage and retain employees
- They re-evaluate programs regularly, ask employees what they want and tailor them to meet the needs of their workforce—one way to do this is through the use of a cafeteria benefits plan. Some smaller businesses offer flexibility in benefits without a formally structured cafeteria plan; for example, an employee can either have an annual raise or receive more vacation time
- These companies aren’t offering additional benefits just to be “nice”—they expect their investment to pay off financially through reduced turnover and the ability to attract better employees

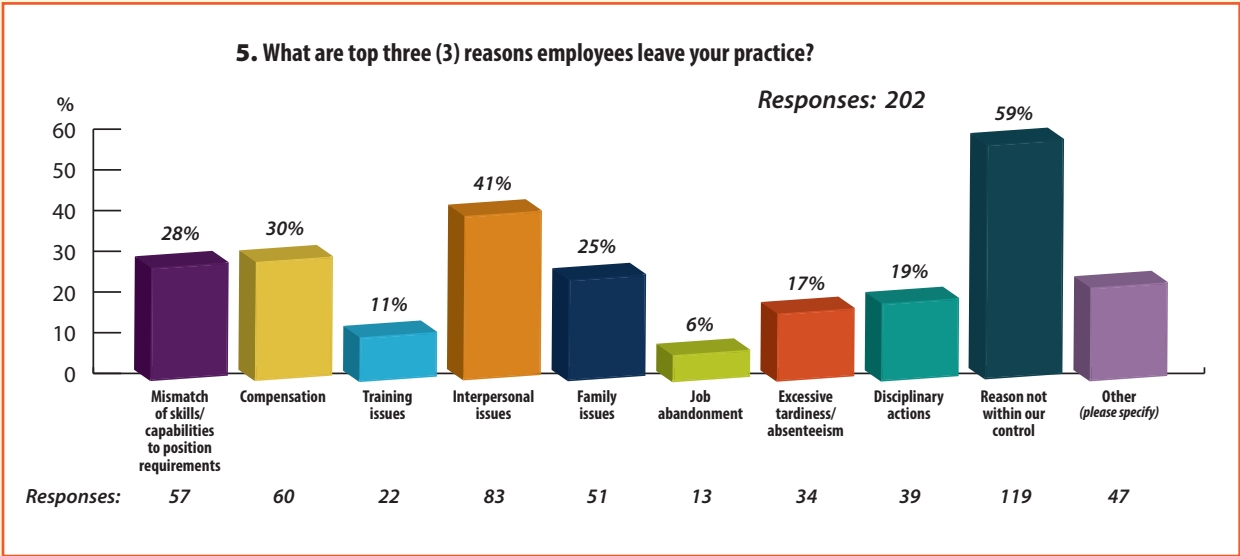
The focus on the partnership between companies and employees is as important as the dollar investment. As Andrew Brondel, Director of Administration at Diamond Pet Foods—a company with a strong belief in the power of benefit an engagement programs says: “When employees don’t have to worry about health care or financial issues, they can help us grow our business. They take the initiative to offer and implement new ideas.”

The next question asked: ***“What is your practice’s approximate annual employee turnover rate? (# separations in a period of time divided by # employees on staff)”***



Answers ranged widely; however almost 85% of respondents said turnover rates were 20% or less and over 50% said they were 10% or less.

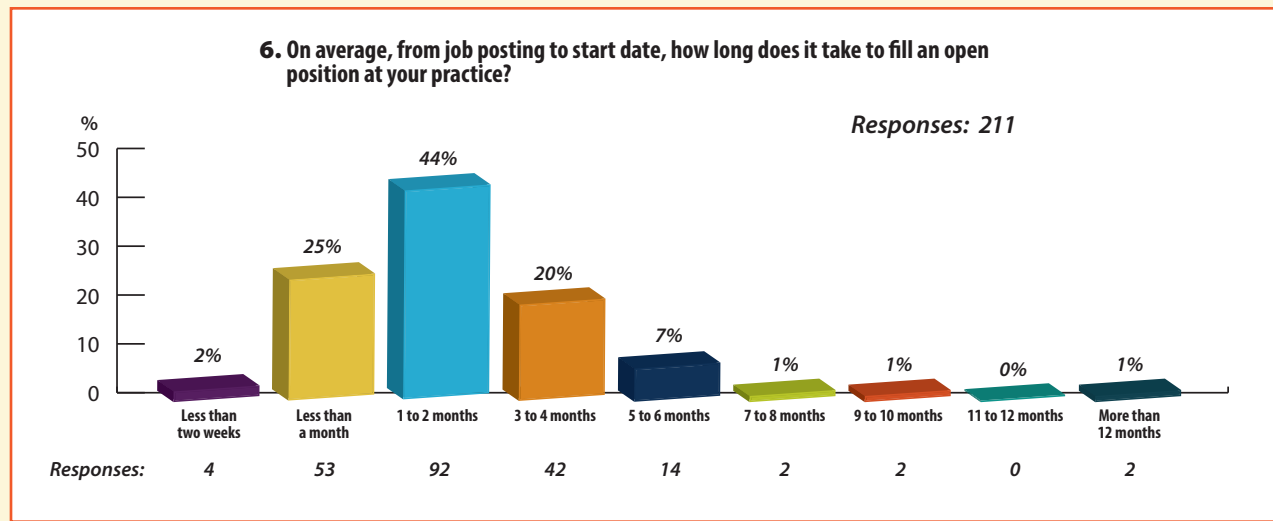
Survey participants were then asked ***“What are the top three reasons employees leave your practice?”***



Most of the “other answers” indicated the employee was moving out of the area. Other comments included: leaving to attend college, changing careers, having a baby, and dissatisfaction with the job. Interestingly enough, many of the reasons such as “compensation”, “training issues”, or “mismatch of skills/capabilities to position requirements” are ones the practice can do something about.

continued on pg. 5

When asked **"On average, from posting to start date, how long does it take to fill an open position at your practice?"**, respondents said:



About 70% of the respondents said 2 months or less; of course this varies greatly depending on location, type of job position, compensation and a multitude of other factors.

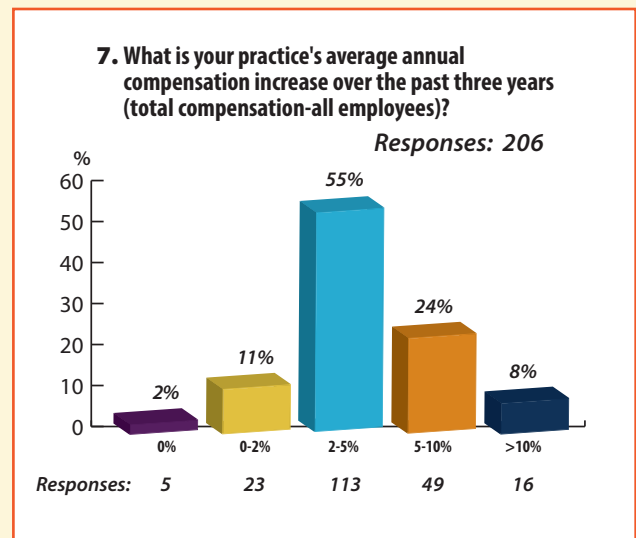
Compensation is obviously an important component of retention and the next question asked **"What is your practice's average annual compensation increase over the past three years (total compensation-all employees)?"**

Most practices fell in the 2-5% category with a surprising 24% in the 5-10% category.

As with most of the important things in life, you get what you pay for with employees. In order to attract and keep quality people, a practice must pay the going wage for a certain job. High raises aren't enough if the base salaries are too low. Ideally, the practice's pay scale is in the top 25% of the range for a certain position. In determining market pay, the practice owner or manager must not only look at national averages for compensation and benefits in veterinary clinics, but also must look at local pay scales and look at pay scales for jobs outside of veterinary medicine.

A receptionist can work anywhere—in an insurance office, a law office, at a manufacturing firm, etc. If a practice is paying \$2.00 per hour less than the going rate for a receptionist in their area, they aren't even going to get the good people to answer the ad, much less be able to hire them. If McDonalds is starting inexperienced help at \$10.00 per hour, a practice will have trouble hiring kennel help at minimum wage.

And if the practice is located in a major metropolitan area, particularly on the east or west coast, national averages of veterinary receptionist or technician pay may not remotely resemble average pay in the city the practice is located in.



A starting point for determining pay scales is an understanding of what the veterinary profession pays and surveys such as those done by the Veterinary Hospital Managers Association are invaluable in obtaining this information. However, this information has to be supplemented with information about what these jobs pay in the particular city the practice is located in and what alternative jobs pay. Talking to colleagues, friends and relatives who hire people, the local chamber of commerce and looking at help wanted ads in the local paper can all provide valuable information. The College of Veterinary Medicine or technician schools in your area may also have

continued on pg. 6

information about the starting salaries of recent graduates. The Internet is also a great resource for salary information for both veterinary specific jobs (such as a technician) and non-veterinary specific jobs (such as a receptionist.) Sites such as [Salary.com](http://Salary.com), [CareerOneStop.org](http://CareerOneStop.org) and the Bureau of Labor Statistics ([BLS.gov](http://BLS.gov)) have pay information not just for particular jobs but also within certain cities or other geographic areas.

Of course money isn't the only reason employees work or stay in a particular job. The next question asked was **"Why do you think your employees come to work?"**

No surprise that "passion for helping animals" ranked so high. Most of the answers in the "other" category were a combination of paycheck and passion for helping animals. A few respondents mentioned things about their own practice such as great bosses or a good team.

The final question was all about the survey respondent: **"What drives YOU most to do a good job?"**

Passion for service ranked much higher than passion for animals and the comments in the "other" section indicates this passion for service is not just directed towards clients but towards their team as well. Additional comments in the "other" section included:

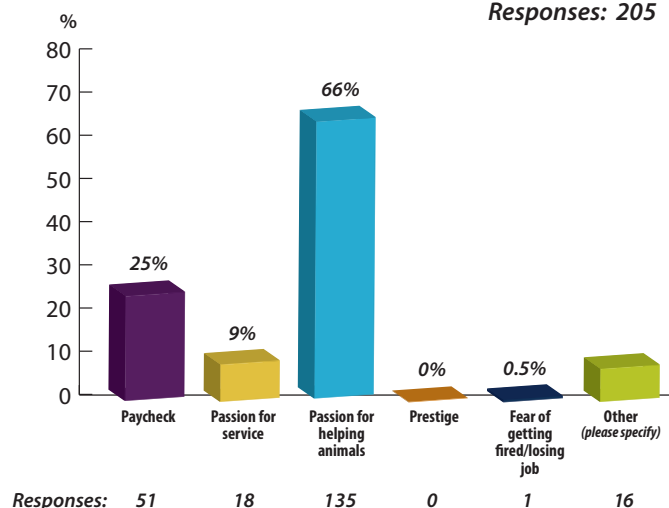
- Work ethic
- Satisfaction in doing a job well
- Loyalty to the practice

Creating an efficient, productive and polished team starts with the interview process; 80% of employee turnover is attributed to poor hiring. Key techniques leading to effective hiring include behavioral interviewing, and how to make the final selection.

Hiring is difficult because the skills that really determine whether a person will be successful in a job are hard to evaluate. Most people focus on determining the quality of an applicant's technical skills and yet only 11% of employees fail because they don't have the technical competence to perform the job. Instead, people fail because they aren't coachable (26%), they lack emotional intelligence (23%), they aren't motivated (17%) or they lack the temperament needed for the job (15%).<sup>1</sup> If the hiring process doesn't focus on non-technical competencies, then it will fail.

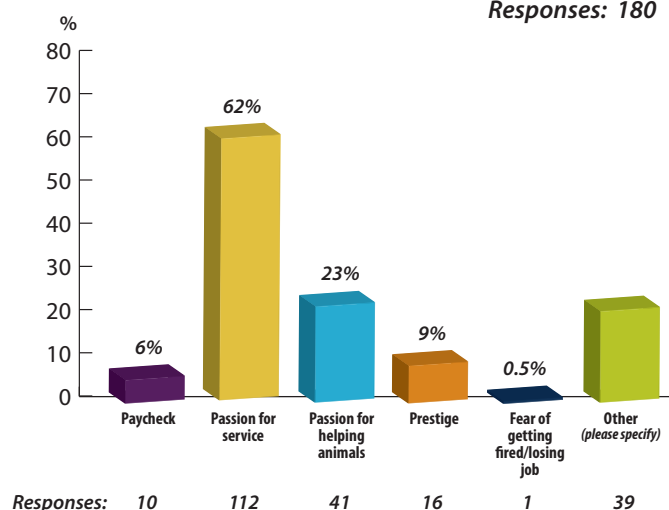
## 8. Why do you think your employees come to work?

Responses: 205



## 9. Which drives YOU most to do a good job?

Responses: 180



In order to hire the right people, the practice hiring process must be systematic and disciplined. Key steps include:

- Define the skills and traits valued by the practice and needed for the job
- Determine what the pay scale needs to be to get the right people
- Conduct structured, in depth interviews (telephone screens, in-person, working)

<sup>1</sup> <http://www.leadershipiq.com/why-new-hires-fail/>



- Verify outside information (references, degrees, licenses/certifications)
- Evaluate the candidates' fit with the current practice team and culture
- Make a careful hiring decision based on the skills and traits needed for the job

The first step in effective hiring is to define both the technical and non-technical competencies valued by the practice and needed for the specific position for which hiring is being done. Once that has been done, the pay scale and the appropriate interview questions can be determined.

Interview questions should be designed using the traits and skills the practice has decided are critical to the position—the goal is to use these questions to identify if the job applicants are right for this particular position and practice.

Behavioral interviewing is widely recognized as the best technique to use in identifying how prospective employees will behave in certain situations. In behavioral interviewing, the interviewer asks questions about how the job candidate has handled situations in prior jobs that are similar to what they will see in this job. A couple of examples are shown below:

**Necessary job skill:** Must be able to communicate well with clients in often stressful situations.

**Interview question:** “Give me an example of a time in your last job when a client/customer was angry at you or your business and what you did.”

**Necessary job skill:** Must be able to work well as part of a team.

**Interview question:** “Give me an example of a time at school or in your last job when you felt one of your colleagues had been unfair to you and what you did.”

Not all job candidates will have had some of these situations occur in previous jobs so you can also use hypothetical situations. For example, if the question using a past situation would be: “Tell me about a time in a previous job when your boss yelled at you for something you didn’t do in front of a bunch of clients and other employees,” then the hypothetical situation question would be: “Tell me what you would do if the owner of the practice came out to the front and yelled at you for something you didn’t do in front of a bunch of clients and other staff people.”

A critical component of making the final evaluation of a candidate is to make sure you are capturing all the necessary information during the various steps of the hiring process. If you don’t do this, you won’t be able to remember who said what or what your real time impressions were of the candidate. Use a form designed for this purpose and take notes throughout the process—while reviewing the application or resume, during the phone screen, and while conducting in-person interviews. Include the interview questions you ask of everyone on the form and leave room for documenting other questions/comments that come up during the meeting. Using

the same interview questions for each candidate will help you better evaluate their answers and compare one to the other. Always check references. Ask as many questions as the person on the other end of the phone will tolerate.

Once you’ve gathered all the information about the various applicants, it is time to make a decision about whom to hire. You should have a fair amount of input at this time—information gathered from the job

application, cover letter and resume, the telephone screen and working interview (if done), the in-person interview, reference checking and the verification of degrees and licenses/certifications.

Often the most difficult task is keeping the candidates straight and remembering who said what. Before you even start the hiring process, set up a standard form to evaluate each candidate and use this throughout the process. Make notes about key strengths and weaknesses noted in the application, resume and correspondence. Do the same for all interviews. List all the interview questions and the answers each candidate gave. Remember, of course, to only include information and observations related to the duties of the job (nothing about the candidates’ age, sex, race, religion, country of birth, disabilities, or other non-job related items.)

When making the final evaluation, remember to use the same requirements to judge everyone and make sure the evaluation is based on the competencies needed in the job. Don’t overemphasize technical competencies; spend as much time evaluating non-technical strengths and weaknesses. Be specific about why a particular candidate is the right person. It’s not enough to say about the best candidate: “I just liked them and thought they’d be a good fit in the job;” this may mean enough time has not been spent evaluating specific skills and attributes and that the candidate is being selected simply because the hiring manager found them easy to talk to. Instead,

***Before you even start the hiring process, set up a standard form to evaluate each candidate and use this throughout the process.***

think through the exact strengths this person has and whether they fit the practice and the job: "This candidate is a certified veterinary technician, has 3 years' experience in other general practices, was appropriately dressed for the interviews, was friendly and professional on the phone and her references checked out."

Hiring is tough and no practice is going to get it right every time, even when using an effective, structured

hiring process. The last thing to remember is that when you do have to terminate someone, analyze carefully what went wrong. Many managers say that, in hindsight, there were clues during the interview process that indicated potential trouble but in a rush to get someone onboard, they were ignored. Learn from your mistakes and the next time will be better.