

The Resilient Dentists Guide to Employee Compensation

Paying Your Team Without Clenching Your Teeth



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- Your Compensation Philosophy worksheet
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- Team Member's Self-Assessment worksheet
- Contract for Performance worksheet
- Employee Compensation Package worksheet
- Open-ended Questions
- Job Descriptions

Why Compensation Must Be a System



Compensation is the one topic that both dentists and employees respond to like a bomb has crashed through the practice's roof, landed in the reception area and is threatening to explode if anyone even breathes near it.

Employee compensation *should* be just another system in the dental practice, but it generates so much angst, stress and dread, it's as if it was a nuclear device.

This may be because many of us have “relationship issues” with money. We conflate money with self-worth, value and success, generating both a financial and emotional reaction to compensation. Making this topic even more loaded is the perception that the dentist and the team are on opposite sides: employees want to extract money while dentists want to save money.

The first step to untangle this web of conflicting emotions and goals is to treat employee compensation as objectively as any other system in the practice.

An Approach Versus a System



- A. Symptoms of an approach versus a system
- B. Defining the compensation system
- C. Defining terms
- D. Overview of the six tenets

Let's begin by diagnosing whether you currently have an *approach* to compensation or a *predictable system*. An approach means you respond to compensation issues spontaneously, as they emerge, without an underlying objective, consistent philosophy.

Symptoms of an Approach:

- You give raises when you think employees deserve them, but you don't necessarily calculate your increased payroll (including taxes and benefits) against your production or collection numbers.
- You give every employee an annual cost-of-living increase and hope no one asks for more.
- You avoid talking about raises until an employee ambushes you and your response to them depends on your mood, whether you personally like that employee and that week's production.
- Raises are given all year long at each employee's hiring anniversary date.

- You use a bonus plan in lieu of raises because you think it will be less expensive than committing to a new salary level and bonuses motivate your team.
- You give new employees any salary they demand just to fill an opening.
- You feel stress, pressure and guilt about your compensation decisions.

If you checked yes to any of these symptoms, then you have an *approach* – not a *system*. As a result, you may be making reactive, subjective and unfair salary decisions that generate employee dissatisfaction and financial problems for your practice.

Without a system, everyone approaches compensation, as gingerly, and with a similar amount of dread, as an unexploded bomb.



Defining the Compensation System



Let's define a system as a predictable, objective and fair way of organizing tasks and behaviors.

Therefore, a compensation system is a fair and objective way of evaluating employees so that their compensation matches their contribution and the community in which you work.

To make this system sustainable, we're adding one more element: compensation must also be *affordable and sustainable* for the practice.

This definition may inspire new questions:

1. What is "fair" compensation? Is fair the same thing as competitive? If so, how can dentists determine what is fair and competitive?
2. How can a dentist be "objective" when evaluating employees? Is this even possible?
3. How do dentists know if their payroll expenses are affordable and sustainable? How does one measure this?

Defining Terms

The problem with words like *fair*, *competitive*, *objective* and *affordable* is that they're vague and depend on one's viewpoint. Plus, these terms tend to be so overused that while no one objects to any of them, no one quite knows what they mean either. Doesn't every job ad promise "compensative" compensation?

Because these terms are the bedrock of the compensation system, we need an agreement on what they mean. Here is how we will use these terms:

Fair	Competitive	Objective	Affordable
<ul style="list-style-type: none">• Enables employees to live comfortably in your community.• Compensation is equitable between employees.	<ul style="list-style-type: none">• Compensation is better compared to typical wages, hours or benefits in your area.	<ul style="list-style-type: none">• Employee performance is evaluated against neutral, quantifiable criteria.	<ul style="list-style-type: none">• Payroll expenses are within a healthy range norm compared to your production.

Overview of the Six Tenets



We've established that a compensation system helps dentists make fair, competitive, objective, and affordable salary decisions.

In order to achieve this, the compensation system is underpinned by six tenets.

1. Compensation must be commensurate with the attributes/skills of the employees you want to attract and retain.
2. Employees merit raises when they increase their contribution to the practice.
3. Raises are considered only if the practice is profitable.
4. Individual raises are drawn from a salary pool representing a portion of a collections increase.
5. Performance and salary conversations are scheduled at the same time of year for everyone.
6. Employees must understand the compensation system.

This Compensation Kit contains the activities, formulas and worksheets to help you develop a compensation system that embraces these tenets.

Let's get started!

Motivation and Compensation



We've established that a compensation system, like any other operating system, should be perceived as fair, objective and affordable. It should support employees' financial, social and emotional well-being and, crucially, it must be sustainable for the practice.

Compensation is not only about money; it's closely connected to motivation and performance. But this connection is often misunderstood; in fact, most employers inadvertently misuse compensation as a motivational tool.

Before we go further, we need to explore the relationship between motivation and compensation.

Myths about Motivation



- A. Myths about motivation
- B. The role of recognition
- C. The leader / employee relationship

Most people believe there is a clear correlation between compensation, motivation and performance. We assume that well-compensated employees invest more in their work and that money motivates people to be happier, more productive, loyal employees.

But this idea doesn't pan out.

If it did, highly motivated and competent people would never be volunteers, teachers or non-profit employees. If higher salaries really did lead to better employees, then your most highly compensated employee would also be your best. It's likely that's not been your experience, yet we continue to operate under the illusion that money translates to value and performance.

Strangely, research indicates that there is an *inverse* relationship between money and motivation. People perform *worse* when they are paid to complete tasks. Money can actually *undermine* motivation.

This is beautifully illustrated by Mark Twain's character, Tom Sawyer. He didn't motivate the neighborhood kids to paint a fence with a promise of money. He made the job sound fun and meaningful for itself.



These insights don't mean that you should turn your employees into volunteers or pay them less!

The key takeaway is that *money alone is not a great motivator*. Giving an unhappy employee a raise is not going to make them happier, it will just make them an unhappy, better compensated employee. In general, people are motivated when they see their job as meaningful and when their personal contribution makes a difference and is acknowledged.

This is why your compensation system is not just about cash. It also includes personal recognition and the relationships you establish with your team.

The Role of Recognition

Employees absolutely want a healthy work/life balance and compensation that will withstand inflation. But most significantly, employees want to feel good about where they work, and they want to be recognized and acknowledged as individuals.

This should make every dentist sit up and take notice because the crucial insight is this:

Compensation and recognition are inextricably linked.

This means that a robust compensation system can't just focus on cash and benefits. It must include all the ways an employee is rewarded and recognized in the practice. It must:

- ✓ Feel fair to employees
- ✓ Be affordable for the practice
- ✓ Incorporate employees' social and emotional well-being

Of course, financial remuneration has a vital role in helping people feel valued, but it's not the sole predictor of employee motivation or performance.

The Leader / Employee Relationship

Decades of research into employee motivation and satisfaction indicate that an employee's relationship with their leader has a considerable influence on their well-being, satisfaction, motivation and performance. What makes or breaks a job for most people is their relationship with their direct boss. This cliché is true:

Employees don't leave their organizations; they leave their bosses.

Therefore, if your overall goal is to retain exemplary employees who are motivated to do their best work, you can't just throw raises at them, you also need to develop nurturing relationships with each individual.

This sounds great on paper, but perhaps you're thinking:

- ☒ I have a large team and I need to focus on patients.
- ☒ Employees shouldn't need extra praise just to do their jobs.
- ☒ My team doesn't appreciate the generous holiday gifts, birthday lunches and get-togethers I already give them. What more do they want?
- ☒ I already express appreciation by saying "Thank You" every day.



There is a degree of truth within these objections. Intentionally recognizing each person's contribution *does* require additional time and energy. You do have to balance the team's needs against your patients' needs.

But let's examine what we mean by recognition. Recognition is motivational fuel, only when its *personalized*. Thanking employees for their work is polite but it's not appreciation. Generic holiday gifts, parties or lunches aren't perceived as meaningful when everyone shares the exact same thing. This is one reason why employees often fail to thank you after you distribute your holiday "gift."

The key take-away is this:

*Giving everyone the same thing, in the same way,
is treating people equally,
but it may not be fair and
it's not the same as personal recognition.*

If you want to validate your employee's sense of worth, foster their motivation and generate their loyalty, you'll need to personalize your words and gifts to match each person's preferences and personality. Recognition is not a one-size-fits-all situation.

Knowing what each employee needs and developing a supportive relationship with each person can be time-consuming. But do you know what's even more time-consuming?

Hiring.

Hiring is a lot more time-consuming.

Which would you prefer to do?



Developing a Compensation Philosophy



We've established that compensation must be a consistent system, that this system has six underlying tenets, and that compensation itself encompasses every way employees are recognized and rewarded in your practice.

It's time to develop the foundation for your compensation system. This means creating a philosophy statement to guide your decisions.

Why You Need a Compensation Philosophy

- A. Why you need a compensation philosophy
- A. Self-reflection worksheet
- B. Compensation philosophy worksheet
- C. Sample compensation philosophy statements
- D. Your philosophy worksheet

Why begin by establishing a philosophy? Because if you want a *system* and not another series of tactics, you need a guidepost to help you stay consistent and objective. Inevitably you'll face situations where you'll be tempted to ditch the system. In those situations, you'll be able to ask yourself on key question:

What does my philosophy tell me I should do?



Your compensation philosophy serves as your north star, guiding you to remain objective and consistent.

Before you develop a philosophy statement that accurately reflects your values, you need insight into your current leadership behaviors. By analyzing how you've been compensating and rewarding your employees, you may discover that you've made compensation decisions that conflict with your espoused values.

For example, if you've told employees you value teamwork but then reward them only for their own job responsibilities, you've created a conflict between what you say you value and what you actually value.

Your actions must be consistent with your compensation philosophy otherwise you'll confuse and demoralize your employees.

Answer the questions on the *Compensation Values Self-Reflection* worksheet (next page) as honestly as possible. Your responses will help uncover your true values.

Compensation Values Self-Reflection Worksheet

Your answers will help you compare your values against your actions and highlight areas where you may be inconsistent.

1. What are the non-negotiable personal and professional qualities you want your employees to demonstrate at work?
2. How many of your current team members demonstrate these qualities?
3. If you have employees who don't demonstrate these qualities, then are they truly non-negotiable? If you've compromised, what is it that you truly value?
4. How do you reward or acknowledge the employees who have these qualities or is everyone treated the same?
5. How well have you communicated your expectations regarding employees' clinical, written and verbal skills? Have you met with each employee to review their job description and your expectations? If not, how has this affected your employees' performance and your relationships with them?
6. How often do you give employees feedback? Do you give feedback when things are going well or only when employees disappoint you?
7. Do you schedule formal performance review or salary conversations? If not, why have you avoided this? If you do, are these engaging conversations or mostly a one-sided evaluation from you? Do you ask employees to self-evaluate?
8. What factors do you consider when giving raises? How do you decide how much to give?

9. When you advertise for new employees, how do you decide on the salary range? Does the range you offer match what you give your current team? If not, why?

10. What does your compensation system currently communicate to employees about your values? Consider elements such as cash compensation, (health, time-off, holiday, CE benefits) team events, overtime, and training. Do the benefits you offer reflect your values?

11. What words or phrases would you like your employees to use when describing their compensation at your practice? If competitive is one of those words – define what competitive means to you.

What did you learn?



After answering these questions, you may have discovered that your actions aren't completely consistent with your values. Or you may realize some of your previous decisions were not based on logical or consistent reasoning.

Welcome to being human!

But since you need a solid foundation to help you make future decisions, you need to develop a philosophy statement that accurately reflects both what you *say* you value and what you actually *do*.

You don't have to share your philosophy with your team, but you'll need it to implement this system.

To help you develop your philosophy, fill in the sentences on the *Compensation Philosophy* worksheet (next page) with the first words that come to mind.

After you complete the worksheet, read the sample philosophy statements to prompt writing your own philosophy.

Your Compensation Philosophy Worksheet

My employees deserve compensation that is:

- a.
- b.
- c.
- d.
- e.

I want to reward, appreciate and acknowledge employees who:

I want to incorporate the following benefits in my practice because they reflect my values:

I define “competitive” compensation as:

Sample Philosophy Compensation Statements

Notice how these sample statements reflect different values.

Sample One:

I believe my employees deserve compensation that is tailored to their talents and that helps them feel personally valued and appreciated.

I want to attract and retain employees who demonstrate both leadership and teamwork. I especially value employees who want to learn and grow, who are open to feedback and coaching. Their compensation will reflect their clinical and patient communication skills.

I want to increase the education and dental benefits I offer since I value personal growth and oral health.

I define competitive compensation as compensation that's 5% higher than my peers because I want to attract experienced and skilled people who will stay with me for years. Employees should be able to live comfortably in our community.

Sample Two:

My employees deserve compensation that is commensurate with their abilities and the wages in this area. Their compensation package will provide generous training, CE and education benefits.

I enjoy employees who are new to dentistry and who want to work with a dentist who will help them gain skills to make this their career. Because they value training and growth, their compensation is 10% higher than they could get as an entry-level employee in another field but is average in the dental industry.

Your Philosophy

Create your compensation philosophy by incorporating any of the words and phrases from the previous worksheets. Make sure that whatever you promise in your statement, you can commit to through your actions.

Now it's your turn to write your philosophy statement!



Implementing the Compensation System



- A. The six tenets
- B. How to create the salary pool
- C. Three competency categories
- D. Allocating points to the competency categories
- E. Awarding points worksheet example
- F. The performance and salary review meeting
- G. Open-ended questions
- H. Talking Points for the whole team meeting
- I. Performance and salary review worksheets unique features

We've established that a compensation system has to be fair, affordable, objective and competitive. You've also learned that compensation includes employees' social and emotional well-being and that raises alone aren't a substitute for personal recognition or relationships with your team members.

In the previous activity, you laid the foundation for your system by articulating your philosophy. It's time to learn the implementation steps and how the six tenets work together to create your system. We'll begin by expanding on the six tenets you were introduced to earlier. Each tenet leads to implementation steps.

Tenet 1

Compensation must be commensurate with the attributes/skills of the employees you want to attract and retain.

Your philosophy statement described who you want to attract and retain. This tenet means your compensation packages should match your expectations.

If you want highly skilled and experienced employees, your salaries can't be "average" for your community. On the other hand, if you prefer training newbies, then your compensation levels *can* be at the average end of the range. To ensure your salaries match your values:

Correlate your compensation range to your fee percentile.

Ideally, your fee percentile reflects the level of quality and service you provide. Therefore, if your fees are at the 80th percentile, then your salaries should be as well. If your fees are average for your community, then employee salaries would be at the median level too.

Make sure that your total employee expenses are healthy and sustainable for your practice. In a general practice,

Employee expenses should fall between 28%-38% of your production.

This range is highly dependent on your location, specialty and business model.

Note that we compare expenses against *production* not collection. This is because most of your expenses are tied to what you produce, not what you collect. This is especially true in practices that accept adjusted fees.

Tenet 2

Employees merit raises when they increase their contribution to the practice.

Employees generally believe they deserve annual raises. That's why they ask for "reviews" on the anniversary date of their hiring. But this tenet mandates that:

*Employees aren't entitled to annual raises.
Raises are earned through the employee's performance.*

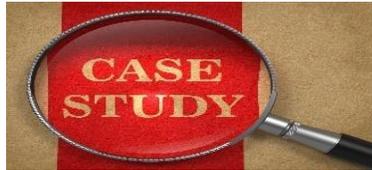
Raises represent an increased investment from the practice in response to an employee's expanded contribution. Simply doing the same thing year after year may keep an employee employed but it doesn't merit a raise.

During years when inflation rises rapidly, it's understandable that dentists give their employees cost-of-living (COLA) increases just so their compensation keeps up with the cost of goods.

But do not reflexively award annual raises.

Doing so can lead to affordability and fairness issues. It also communicates that compensation is not correlated to performance. You don't want to teach employees that they can be complacent on the job and still be financially rewarded.

Case Studies



These case studies illustrate the dangers of automatically giving everyone annual raises.

Practice A

In one practice, a dental assistant earned \$90,000 per year after 15 years of annual cost-of-living increases. Her more recently hired peers made less than half of that amount. Compounding the huge parity issue was that her skills did not merit this salary. In fact, although she was making almost as much as the dentist, she was unhappy and resentful. She was promptly fired when the dentist sold the practice.

Practice B

In another practice, the dentist gave everyone annual raises correlated to the annual fee increase. One year, he had to fire an employee for poor performance. This employee took him to court, arguing that her annual raises indicated she was doing a good job and therefore her firing was unlawful. The Labor Board agreed with her.

Tenet 3

Raises are considered only if the practice is profitable.

Employees must understand that the practice is also a business so if the practice isn't profitable, there isn't a secret money pot to draw on for raises. Abiding by this tenet, insures that the practice can afford to increase its payroll expenses. Our definition of profit is specific:

A practice is considered profitable if there is an increase in collections compared to the previous year.

This tenet also implies that the team can track the practice's production and collection numbers throughout the year so they'll know if the practice is profitable.

We encourage dentists to practice open-book management – meaning the team are treated like co-business partners and can analyze (some of) your practice's statistics. At the very least, the team must be able to analyze the practice's production and collection numbers each month and be able to compare these numbers to your goals.

If the practice is not reaching its goals, it's up to the team to change their systems and approach if they want to generate a salary pool and get individual raises.

Tenet 4

Individual raises are drawn from a salary pool representing a portion of your collections increase.



If your practice had a collections increase, take a *percentage* of this increase to create a salary pool. This allows you to use the rest of the money to reinvest in the practice or for your own compensation. This tenet reassures the team that their compensation isn't in competition with your decisions to upgrade equipment or purchase new technology.

Take 10%-20% of the collections increase to create your salary pool.

You can reserve up to 20% of the increase for raises. Consider the following factors when deciding your percentage:

- a. Your business and compensation philosophy (remember that?)
- b. The length of time since the last raises
- c. The salary range norms for your area
- d. An increase or decrease in staffing
- e. An increase or decrease in operating expenses

Once you've created a salary pool, you'll need to decide how to allocate individual raises.

Begin by deciding on a potential increase of between 5% to 15%.

This “potential” means that every employee could *theoretically* earn up to the amount you identified. It does not mean everyone *will* get the full percentage, only that it's possible!

Most of the time, salaries increase by 5%-7%. This percentage can increase during years of high inflation or when there is fierce competition between dentists for employees. Given this and the possibility that you have employees who have earned new certifications you may choose a higher potential percentage increase.

For our purposes, let's choose a potential 10% increase. That means some employees could get the full 10%, while other employees might get 3% or 5% or even no increase.

Choose your potential increase by considering factors such as affordability, employee certifications, range norms in your area and employee performance.

An effective way to determine the potential percentage is to calculate what each percentage level will cost the practice. *The Dental Wage Planner* is designed to help you forecast different scenarios, but you can use any excel worksheet or a calculator to help you.

In this example the dentist has a salary pool of \$9,750 and calculates the potential cost associated with each percentage level.

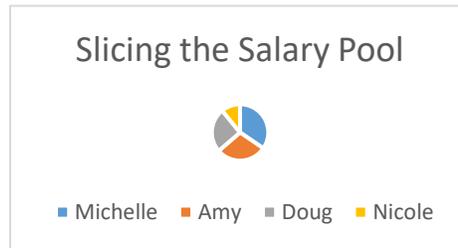
Level of increase	Potential Cost	Comparison to \$9750
5%	+ 7,138	- 2,612
10%	+ 14,276	+ 4,526
15%	+ 21,415	+ 11,665

The dentist could safely choose the 10% model because even though it looks like it would exceed the salary pool budget by \$4,526, not every team member will merit the full 10% increase.

Important Tips

- When you calculate the costs of raises against your salary pool, remember to also include payroll taxes and employee benefits. Typically, your portion of employee payroll taxes is around 10% of the employee's gross salary.
- You can inform the team of the total percentage you used to create the salary pool and the dollar amount in the pool. However, we recommend that you don't share the *potential* increase they could individually merit. You don't want employees to compete against one another or challenge you about the specific percentage they were awarded.

Determining Individual Raises



At this stage, you've created a salary pool and identified a potential percentage increase each person could earn. Now you have to decide how much each person will actually get.

Deciding how to slice up the salary pool can be challenging. We're going to make this process as objective as possible by evaluating employee performance against three competency categories and allocating points to each category.

Three Competency Categories

A competency is the knowledge, skill or ability (KSA) an employee uses to do their job. Most job descriptions focus only on the KSA's associated with that specific role.

We have expanded every job description to include two more competencies: teamwork and practice building. This ensures that employees are well rounded and that they don't focus only on their own tasks to the detriment of everyone else.

These are the three competency categories:

1. Job Role

The competencies associated with that employee's specific job. For example, a front desk employee needs a different skill set than a dental assistant. Most job descriptions include these KSAs.

2. Teamwork

In addition to their specific responsibilities, employees must also collaborate effectively with their colleagues. The KSAs associated with teamwork include problem-solving, helpfulness, clear communication, conflict resolution, volunteering, and engagement during meetings.

3. Practice Building

Each employee is also expected to help the practice thrive as a viable business. The KSAs associated with this competency include asking for referrals, keeping within a budget, increasing production and collections, minimizing costs of unfilled hours, and understanding statistics.

TIP

The job descriptions in the Tools & Worksheets folder include the three competency categories associated with each job role. You can tailor these to match your practice.

Let's examine how to use the three competency categories to determine individual raises.

Allocating Points to the Competencies

Before you decide how much of a raise (if any) each employee merits, you'll need to assign points to each competency category. The number of points you give each category reflects your values. (Refer to your compensation philosophy!)

In the example we've been using, the dentist has chosen a 10% model, meaning that each employee could *potentially* get a raise of 10%.

Now, we'll convert that 10% into points. This means the dentist has 10 points to divide among the three competency categories. In this example, the dentist gave the most points to teamwork reflecting the dentist's value for this competency.

Competency Category	Available Points
Job role	0 - 3
Teamwork	0 - 4
Practice building	0 - 3

Next, the dentist evaluates each employee's contribution to the practice against the KSA's associated with that category. An employee can get anything from the full points available in that competency to zero points.

The number of points you award an employee equals their % increase

This worksheet illustrates how the point allocation determined an employee's raise.

Awarding Points Worksheet

Employee Name: *Michelle*

Current Gross Annual Salary: *\$46,700*

Category	Available Points	Employee Actions	Awarded Points
Job Specific	0-3	<ul style="list-style-type: none"> Improved collections to 95% Tx plans have accurate fees No growth in reducing unfilled hrs Needs improvement on intake call 	2
Teamwork	0-4	<ul style="list-style-type: none"> Leads morning huddle well Offers to sterilize when understaffed Can create conflict with others 	3
Practice building	0-3	<ul style="list-style-type: none"> Runs weekly reports & problem solves Suggests technology to increase productivity Asked for referrals more than other employees 	2

In this example, Michelle earned 7 out of the 10 available points. That means she'll get a 7% raise over her current salary.

Once you have determined each employee's new compensation and completed the assessment forms, you're ready to hold your individual meetings.

Let's explore the salary and performance review meeting next.

FINANCIAL TIP

Remember that the total cost of raises can't exceed the amount in the salary pool. The Dental Wage Planner will help you determine your new costs. If the collective amount *is* greater than your salary pool, then decide if this truly sustainable or whether you need to reassess individual raises.

Tenet 5

Schedule performance and salary conversations at the same time of year for everyone.

This is a predictable system, so everyone must be on the same meeting schedule. You will no longer have salary conversations all year long at each employee's hiring date. Performance and salary conversations will be held after the end of your fiscal year, once you've analyzed your collections numbers.

For most practices, the fiscal year ends in December so dentists schedule these conversations for February. This is convenient because February is usually a month when fewer patients schedule their appointments.

This tenet has several benefits:

- ✓ It ensures that raises are based on profitability.
- ✓ Employees don't have to build up their courage to request a raise because they know there's a scheduled time to have salary conversations.
- ✓ You can relax knowing you won't be ambushed at lunch with unanticipated salary demands.
- ✓ Salary decisions will be based objective criteria, not your mood on a particular day.

Leadership Tip

Hold performance meetings even if the practice can't afford raises. These conversations are designed to encourage employee growth, which is essential if you want to be profitable next year.

The Performance & Salary Review Meeting

Pre-block your schedule so that you have 60-90 minutes to meet with each employee. While this is a significant investment of your time, (especially if you have a large team) these meetings are critically important and can't be rushed. Don't schedule more than two meetings per day because they can be emotionally draining and cut into production. You can invite the office manager or an associate to co-lead these meetings.

This meeting has 4 associated forms (included in the Tools & Worksheets folder)

1. Employee & Employer Assessment worksheets
2. Employee's job description
3. Contract for Performance
4. Compensation Package

Let's examine the structure of this meeting and then the unique features of the forms.

Meeting Structure



This meeting has a specific structure and tone. Although its named “the performance review” meeting, its focus is on the future, not on rehashing mistakes.

The performance salary review meeting assumes the employee will be with you for the coming year, so if you have doubts about that – don’t use this meeting to surprise your employee with that information.

MEETING TIP

If an employee has been underperforming, then schedule a separate performance correction meeting prior to this.

Employees shouldn’t walk away from this meeting thinking they need a lawyer or a therapist!

Opening the meeting

Begin by reassuring the employee that this meeting is designed to spotlight their positive contribution rather than dwell on their faults. The overall goal is to support their growth and to develop new performance goals.

Next, share your vision of this person’s position: why their job is so pivotal to the practice’s success. Convey why you value this employee and want to support their growth.

Ask the employee to share their perceptions

The goal is to have a conversation not deliver an evaluative monologue. Because we want employees to develop self-awareness, ask your employee to share their reasoning behind their responses on their Self-Assessment worksheet before you share your insights. Ask open-ended questions to probe deeper.

You can expect that employees will have significantly different perceptions about their performance than you do. That's because:

*We judge ourselves by our good intentions,
not by the results of our actions.*

Your role is to help employees gain insight about how their intentions and actions affected others and the practice in general.

Share your Perceptions

After you have explored the employee's perceptions, review your insights from your version of the assessment worksheet. Explain why you came to the conclusions you did. Focus your feedback more on patterns of behavior rather than on one specific incident.

Complete the Contract for Growth

Everything that you and your employee have discussed during the performance meeting gets channeled into creating the Contract for Growth. The Contract is co-created by you and the employee and lists the

employee's new performance goals. It encompasses what the employee promises to do differently for each competency category.

Be as specific as possible when designing goals. Include numerical or measurable criteria so that it will be very clear whether or not the employee has been successful.

For example, a front desk employee's goals could be phased as:

- Convert 85% of new patient inquiries into appointments.
- Ensure that 90% of our patients leave with a scheduled next visit.

Another standard criterion is time. Here's an example goal for a hygienist.

- Within 60 minutes, complete the following procedures so that X,Y,Z is achieved for 95% of our patients.

Include a target date when possible. This can be the date the employee begins or completes the goal.

Next year, you'll compare the employee's performance against these goals to justify their new compensation.

LEADERSHIP TIP

It's essential that you provide frequent reinforcing and change-oriented feedback so employees know whether they're meeting your expectations and fulfilling their contract.

Employees should already know how they're doing before their next performance conversation.

Review the Employee's Compensation

The last stage of the meeting is when you reveal the employee's new compensation. The Compensation Package worksheet compares the employee's current compensation to their new package. It lists all the benefits you provide along with their dollar value.

Even if an employee won't get a raise, s/he needs to understand the value of their benefits.

Employees rarely calculate how their benefits such as vacation days, dental treatment, CE, retirement, and holiday gifts/ bonuses add up. The worksheet gives employees a comprehensive picture about what they really receive from the practice.

How to Ask Open-Ended Questions

Because you want employees to self-reflect, ask open-ended questions throughout your meeting. Open-ended questions begin with “How” “What” and “Tell me.”

Paraphrase the employee’s responses before you ask another question or express your opinion.

In general, strive to listen more and talk less throughout the meeting. This will help employees gain insight into themselves so that they can monitor and adjust their behavior in the future.

On the following page are examples of open-ended questions. This list is included in the Tools & Worksheets folder.

Conversational Tip:

Be cautious about asking “why” questions. Why questions are considered open-ended but can also sound judgmental.

For example, asking a patient, “*Why didn’t you floss?*” is reminiscent of a mean teacher scolding a child for not doing their homework. Asking an employee, “*Why did you do THAT?*” can also sound judgmental rather than curious. Therefore, if you ask a why question ensure that your tone is neutral.

Open-Ended Questions Examples

- What did you do this past year that you see as an achievement?
- What were you most proud of accomplishing?
- How did that accomplishment help the practice?
- What do you do in our practice that truly engages and satisfies you?
- What task or responsibility poses the most difficulty for you?
- If given the chance, what would you do differently?
- What distractions or issues got in the way of doing your best work?
- What do you need to make it easier?
- What do you think I will say about your contribution over the last year?
- What will I say are your strengths and challenges?
- How do you think you're perceived by your peers?
- What can I do differently in the way I support you or give feedback?
- What are your personal goals for growth?

Tenet 6

Employees must understand the compensation system.

The cornerstone of this compensation system is that it's transparent. The team must know how raises will be awarded so that they can assess and adjust their own behavior. They also must be able to track the practice's production and collection numbers so they can collaborate and ensure there is an increase in collections by the end of the year.

Schedule a team meeting to explain the philosophy and the process. Your team must know *why* you're implementing a new model and how it benefits them.

If this team meeting is close to the end of your fiscal year, you'll distribute the Team Member Self-Assessment worksheets and new job descriptions that include the three competency categories.

The next pages outline your talking points for this initial team meeting.

Talking Points for the Whole Team Compensation Meeting

- I want you to feel recognized, appreciated and rewarded for your work. You should feel that your compensation reflects your contribution and that raises are awarded fairly. Compensation includes your cash salary, your benefits and any other way we appreciate you during the year.
- As a business owner, I balance your financial needs against the needs of practice. The goal is to have a compensation system that is fair to you and affordable for this practice.
- To ensure that raises are affordable, we must increase our collections from year to year. An increase means our practice is profitable enough to afford raises. Every year I'll choose a percentage of that increase to create a salary pool. Our collections increase compared to last year is XXXX and I've taken XX% of that increase to create a salary pool of \$XXXX.
- This means \$XXXX is available for raises. What you personally get from that salary pool depends on your independent contribution.
- You're considered for a raise if you have contributed more to the practice's well-being. Raises represent an increased investment from me to you. I want to acknowledge the people who invest in learning new skills, initiate new projects and devote energy to our growth. Simply doing the same thing year after year doesn't merit a raise. While I

appreciate employees who have worked here for many years, I want to reward those who grow and improve during their time with us.

- I recognize that it's stressful for employees to have to knock on my door asking for raises. We're going to avoid that stress by scheduling conversations about your salary and performance at the same time each year for everyone. During our performance meeting, you'll get to describe your achievements and together we'll create new goals for you for the coming year.
- These meetings will allow us to have an honest conversation about your performance and achievements. You will fill out a self-evaluation prior to our meeting so that you're prepared to talk about what you've accomplished and what you want to do next in our practice. How you approach this process demonstrates how invested you are in your growth and directly influences my decisions about raises.
- We'll accomplish two things at these meetings. The first is that we'll co-create a Contract for Growth, meaning you and I will agree on your goals for this coming year. Next year's raise will depend on how well you achieve these goals.
- The second thing we'll do is discuss your compensation. Some of you might not get a raise or get less than you would like. You may feel disappointed. I want you to understand that you can determine your own raise in the future, through your performance choices.

- I determine if you merit a raise based on your actions in three categories: your own specific job, your collaboration with the team and your dedication to helping the practice grow as a business.
- I've created new job descriptions for all of you so that you understand these expectations. You'll get this job description, today or DATE.
- Today, you'll get a Self-Assessment worksheet. I'll also complete the same assessment for each of you. When we meet, we'll share our insights and feedback. This will be a conversation – not a top-down evaluation.
- Before I answer your questions, there is one important principle I need you to fully understand. Our practice can afford to give raises this year because we were profitable, meaning our collections this year was better than last year. But if we don't see an increase in collections in a future year, then the practice won't be able to afford raises. Collections is not just a front desk job; we all have key roles in this. So, each month, I will share our production and collection numbers with you, and together we can create a profitable practice.
- Our performance meetings will be scheduled from DATE to DATE. This is also when you'll learn your new compensation package for the coming year. At the end of today's meeting, I'll ask you to sign up for your meeting time. You should anticipate that these meetings can be from 60-90 minutes.
- What thoughts, feelings or questions do you have for me?

The Performance and Salary Review Worksheets

Let's examine the worksheets associated with the performance and salary meeting. Every form can be customized to match your practice. The forms are in the Tools & Worksheets folders.

Unique Features of the Job Descriptions

Each job description begins with a **Vision** of the position. To the right is an example of the vision for an appointment coordinator.

The vision tells the employee why their role is important. Review the vision at the beginning of the performance conversation so the employee understands why you value their contribution.

Each job description also includes a section titled "**Measures of Success**." This is a list of objective standards that describe your criteria for success. Using objective criteria like numbers or time will help you to evaluate an employee's performance.

VISION OF THIS POSITION

The Appointment Coordinator is the face and voice of our office.

Because the A.C. is often the first-person patients meet, s/he demonstrates the practice's philosophy and quality through every interaction.

MEASURES OF SUCCESS

- 90% of new patient inquiries convert to scheduled appointments.
- XX% of patients leave with their next appointment scheduled.

Each job description describes the employee's responsibilities in the three competency categories:

Job Role, Teamwork, and Practice Building.

To the right are examples of teamwork competencies for a front desk employee. You'll customize these to fit your practice.

The last unique feature of the job descriptions is the final paragraph, titled "**Leadership and Self Direction.**"

This paragraph indicates that every employee is expected to become self-directed and to take initiative in helping their colleagues serve patients. Again, you can tailor this to match your practice and philosophy.

TEAMWORK

- Coordinates and communicates with front desk colleagues to ensure there is seamless customer service.
- Cross-trains with other front desk members to provide mutual assistance.

LEADERSHIP & SELF-DIRECTION

Our practice is dedicated to continuous learning and mutual support. We value employees who use their initiative to improve the practice and support our growth.

We expect every employee will generously collaborate with their colleagues so that as a team we provide exemplary care to our patients.

Unique Features of the Team Member Self-Assessment

There are two assessment worksheets: one for you and one for the employee. Although some employees may find it challenging to self-evaluate, there are strong links between emotional intelligence and job success.

The first question simply asks employees to list their job responsibilities. Often, their response to this question uncovers conflicts between their priorities and your practice's needs. This can lead to a rich conversation and a job renegotiation.

What are your most important responsibilities?

- 1.
- 2.
- 3.
- 4.
- 5.

Employees then evaluate their performance against the three competency categories. These are some self-assessment questions associated with the practice building competency.

	Outstanding performance	Usually exceeds expectations	Consistently strong performance	Partially meets expectations	Inconsistent performance
I actively participate at huddles and team meetings.					
I actively encourage patients to keep their appointments.					
I suggest ways to increase production & collections.					

Finally, the assessment requires each employee to identify their accomplishments during the last year and their goals for the coming year.

These questions underline the philosophy of raises: that employees must accomplish something new each year to merit a raise and that their future compensation is based on reaching new performance goals.

SELF-REFLECTION AND GOALS

What were your accomplishments this past year?

What would you like to do more of or less of in the next 12 months so that the practice successfully reaches its financial goals, attracts and retains patients and is a good place to work?

What knowledge, skills or abilities (KSAs) do you need to develop? Examples: clinical technique, scheduling, collecting, patient communication, time management, decision-making, teamwork, planning, and organizing.

Unique Features of the Contract For Growth

The 1st question asks the employee to identify the attitudes and personal qualities that either help or hinder their performance. These can be things like patience, detail-orientation, or cheerfulness.

The rest of the contract lists the actions the employee will take in each competency category.

Each action should contain associated success standards that are objective, measurable and specific.

The contract creates space for 2 actions under each competency category, however you're not limited to this number. Do be careful not to overwhelm the employee with too many goals, however.

The Contract needs to be realistic and achievable!

Employee's Attitudes and Qualities: The personal characteristics or attitudes will the employee develop (or continue demonstrating) this year.

Employee's New Actions: Describe using measurable criteria and due dates.

Job Role	Success Standards	When
----------	-------------------	------

Teamwork	Success Standards	When
----------	-------------------	------

Practice Building	Success Standards	When
-------------------	-------------------	------

Training or CE that the employee will engage in to support their goals:

Dentist's actions to support and follow-up with employee so they achieve their goals. When possible, identify measurable targets and due dates.

Unique Features of the Compensation Package Worksheet

The worksheet outlines both the employee's cash compensation and the value of their benefits.

When employees complain that they're underpaid compared to their peers, it's often because they haven't understood how their benefits contribute to their hourly salaries.

Use the Dental Wage Planner, to calculate the dollar value of each benefit.

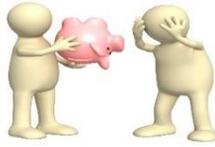
Current Compensation Package	New Compensation Package
Cash compensation	Cash compensation
Per hour: _____	Per hour: _____
Per year: _____	Per year: _____
Bonus: _____	Bonus: _____
Employer paid taxes _____	Employer paid taxes _____
Paid time off	Paid time off
# Sick Days: _____	# Sick Days: _____
# Vacation Days: _____	# Vacation Days: _____
# Holidays: _____	# Holidays: _____
# Other: _____	# Other: _____
Value of time off benefits: _____	Value of time off benefits: _____
Team Benefits	Team Benefits
Pension/401k: _____	Pension/401k: _____
Health: _____	Health: _____
Uniform: _____	Uniform: _____
Dental care: _____	Dental care: _____
Cont. Ed: _____	Cont. Ed: _____
Rewards: _____	Rewards: _____
Other: _____	Other: _____
Value of Total Benefits _____	Value of Total Benefits _____
Total Compensation Package 	Total Compensation Package

Frequently Asked Questions

Even with the best system, you'll inevitably encounter situations where the answer isn't clear. We've anticipated the most common tricky situations and provided guidance about how to handle them.

- What if the practice didn't have a collections increase?
- How can I compensate an already highly paid employee?
- How should I respond to mid-year salary requests?
- How do I calculate hygiene salaries?
- What if job applicants want higher salaries than my current team?
- How do I research the salary ranges offered in my area?
- What should I do if I have a bonus plan?

What if the practice didn't have a collections increase?



If you didn't have a collections increase, then the practice can't afford to give raises. Employees must understand business realities; there isn't a magic money tree that grows raises. At the same time, you don't want demoralized employees to be paralyzed with disappointment.

The key is to keep them focused on the future and the opportunity to create a more profitable practice for the coming year. Consider holding a team retreat to develop strategies that will increase production and collection. Organize your meeting to answer this question:

What can we do differently to increase collections
and create a salary pool for this next year?

In a PPO practice, the team may realize (rightly) that reduced fees are preventing the practice from being profitable. But since it might not be possible to phase out of insurance, refocus the team on changes that are within their control.

For example, the team can:

- ✓ Design and implement a campaign to attract full-fee patients.
- ✓ Implement a reactivation campaign to fill the schedule.
- ✓ Upgrade their verbal skills to improve case acceptance.
- ✓ Offer additional procedures.

- ✓ Learn new procedure codes to maximize reimbursement.
- ✓ Reduce unfilled appointments.

Consider creating a game to generate energy. The team can play a 12-month Olympics Game and win awards as they reach gold, silver, and bronze milestones. If you do play a game, create a time limit for it. The game is a reward for learning new skills; it's not an open-ended bonus system. (You'll understand why in a few minutes.)

Remember that the team needs to see the practice's monthly numbers so they can gauge the success of their efforts and recalibrate if necessary. They also need to recognize that everyone has a role in improving production and collections – this is not a front-desk only issue.

How can I compensate an already highly paid employee?



This question can also apply to situations where the practice didn't have a collections increase but you want to acknowledge individual employees for their outstanding performance.

You can recognize an employee's stellar performance by giving a one-time cash acknowledgement or improved benefits. This is also a good option if a highly compensated employee has reached a salary ceiling.

When an employee deserves a raise but won't get one due to affordability issues, be honest about the practice's limitations. Focus on the employee's qualities and contribution. Employees do value cold, hard cash and a one-time acknowledgement check won't lock you into a new base salary. (Make sure the employee understands they will still incur taxes on this check.)

However, because compensation includes all the ways an employee can be recognized, delivering a personalized *reward* is usually more meaningful than handing over a check. The key is to make sure the reward matches the individual in front of you. Become an observant anthropologist, and identify what your employee needs, prefers and enjoys. Your goal is to surprise and delight your employee with rewards/gifts that are tailored specifically for them.

Many of these ideas can be offered any time of the year.

Examples of Personalized Rewards

A letter of appreciation mailed home along with a small gift like jewelry.

A certificate to the employee's favorite bookstore or retail store.

Limo rides to /from work when an employee's car breaks down.

A gift certificate to a restaurant, spa or hotel on the employee's work anniversary

A certificate to the employee's favorite hairdresser, manicurist, gym.

A specially chosen book with the author's signature.

Certificates for free baby-sitting or house-cleaning.

A new, ergonomic chair for the office (or home office)

Tools or classes associated with that person's hobby.

Donation to that person's favorite charity.

Professional photographer for a special event or family portrait.

Tickets to that person's favorite sport, musician or local event.

A case of that person's favorite wine.

Membership to a home food delivery service.

How should I respond to mid-year salary requests?



This situation is challenging because an employee may threaten to resign if you don't agree to a salary increase. The short answer is that if you give one person a raise, then anticipate that word will get out and it will be open season for everyone to demand a similar raise. This undercuts the whole purpose of having a system.

So, the short answer is "No," but the nuanced answer is to have a courageous conversation with this employee. Often a sense of dissatisfaction has led to a demand for a raise.

Ask the employee if there is anything else that bothers them about working in your practice. Are they feeling over-worked, overwhelmed or unappreciated? Aside from a raise, is there anything you could do to keep them in your practice?

Finally, remind employees that if they hold on until the scheduled performance conversations, they may indeed get a raise.

How do I calculate hygiene compensation?

What if my hygienist wants more than I budgeted?



The compensation process for hygienists is the same as everyone else's, except that you can compare their direct production to their compensation to ensure their compensation is reasonable and sustainable.

A healthy range norm for hygiene compensation is between 30%-40% of their production.

For example, if your hygienist produces \$25,600 a month, then his/her monthly salary should fall between \$7,680 - \$10,240. This formula can help you justify giving or not giving a hygienist a raise.

We recommend that you count everything that is done in the hygiene room as hygiene production, including periodic exams. Using this percentage helps you evaluate your hygienist's productivity and efficiency against his/her salary. You can use monthly or annual numbers.

How to respond to a hygienist who wants more than you budgeted.

Because they're in such high demand, hygienists have realized they can request exorbitant salaries. Using the 30%-40% range norm, first calculate if the amount requested is sustainable for your practice.

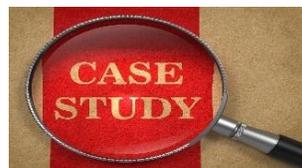
If the hygienist requests a higher compensation level than you budgeted, *ask them to demonstrate* how they will produce enough to merit their compensation request.

The Daily Mix Activity

Show your hygiene fees and ask the hygienist to create a daily mix of procedures that would enable them to get their desired compensation and also stay within the 30%-40% range norm. S/he needs to prove they can realistically produce enough to justify their compensation.

This exercise forces hygienists to see their compensation demands from the perspective of the business owner. You're communicating that while you would love to support the hygienist, you are ultimately accountable to the business.

Case Study



In one practice, the dentist felt pressured to retain his long-term hygienist so he gave her an unsustainable raise to prevent her from leaving. Unfortunately, her new salary violated the 30%-40% range norm and created an unbalanced production vs compensation package.

His hygienist would have to produce \$2,400 every day in order to justify her new compensation. This is much higher than her current daily production.

Their respective vacations clearly illustrated the affordability problem. She took a 3-week vacation touring Europe, and he managed 3 days in Lake Tahoe. Now, he has to renegotiate her salary or let her go, resulting in the very situation he was trying to avoid.

By negotiating with her up front, he could have avoided what has become a costly mistake.

What if job applicants want higher salaries than my current team?



When you review job ads and begin interviewing, you may realize that your employees make less than what job applicants are demanding and apparently getting in your area. Dentists think they now have three options:

Option 1

Hire the new employee at the requested salary and increase the compensation of everyone else to match it.

This increases your payroll costs and may set a precedent that raises are not connected to performance and that every time someone is hired, the team can expect a compensation adjustment. That will get expensive.

Option 2

Hire the new employee at the requested salary without raising the compensation of your team and hope they don't learn about it.

Eventually your team *will* learn that their colleague is making more than they are. This won't end well.

Option 3:

Pay new employees the same compensation level of everyone else in that department.

This is the most fiscally responsible option, but it may prevent you from filling an opening quickly – or ever.

What Should You Do?

Begin by considering the financial ramifications. Can your practice absorb and sustain additional employee expenses? If your practice doesn't show a profit after you pay your monthly expenses or if your new payroll level will exceed 38% compared to your production, *then options 1 and 2 are not sustainable unless you have a plan to raise production and collection.*

However, if your research indicates that you *are* underpaying employees, you'll need to provide a cost-of-living-increase for your team at some point. Ideally, do this at the annual performance and salary review meeting. This will allow you to forecast and plan for additional employee expenses.

Negotiate with the Applicant

Your best step right now is to use the salary request as part of the interview process. An applicant might not have a non-negotiable reason for their salary demands.

The following are sample questions to help you understand the applicant's perspective and negotiate a more reasonable salary.

- How did you arrive at this salary level?
- Does this amount include the value of benefits? (Define what you mean by benefits. Most unsophisticated employees don't understand benefit packages or their value.)
- What benefits are most important to you?
- My current employees with this job title make \$XX when benefits are factored in. Given this information, would \$XX be acceptable to you?
- As a business owner, I want you to be able to live comfortably in our community and also provide a salary that matches your skills and your contribution to my practice. Since your requested salary is higher than what my current team makes, what specifically will you do to justify this amount? How will you increase our production / collection /efficiency so that the practice can afford you?

Avoid the Pitfalls

An applicant may point to their years of experience or an impressive job title as justification for a higher salary. This isn't relevant.

You need them to demonstrate that they have a valuable skill set that will create more profitability or greater efficiency at your practice.

If they can't demonstrate that, then their requested salary is not commensurate with their skills.

Sometimes dentists promise applicants a salary increase if they pass a 90-day probation period. If you go this route, be extremely careful about your wording and your expectations.

1. Don't describe this a "probation" or "trial" period because these terms can violate your state's "at-will" guidelines. Simply say you and the employee will review their performance and compensation in 90 days.
2. Document exactly what the employee needs to accomplish to merit an increase. Remember, goals should include objective and measurable targets. For example, a new front desk employee's goal could be: *Within 60 days design and implement a strategy to reduce our no-show and unfilled appointments so that by 90 days our practice has achieved a XX% reduction in open hours.*

It's easy to get sucked into the fear that you'll never be able to hire or retain employees unless you agree to exorbitant salaries. But mature, competent employees *want* to work in practices that boast a supportive culture and kind colleagues.

Focus on attracting employees who recognize that their compensation must match their contribution. These are the people who will most likely become long-term, valuable team members.

How to Research Salary Ranges in Your Area

There are two avenues for research: online resources and personal connections. Let's tackle online resources first.

Online Resources

These are free, national websites where you plug in your job title and town (or zip code) and view salary ranges in your area. You can also peruse the job ads posted by your colleagues to see what they're offering.

- **Salary.com:** On the home page, plug in your job title and community under the "individuals find what your worth" question
- **Glassdoor.com:** Google "Glassdoor salaries" and it will take you directly to their salary page
- **Salaries Indeed.com:** Google "salaries Indeed" to go directly to the right page

Personal Connections

To make sure that you compare your practice to a similar one, ask your personal network about benefits, work hours, practice size and specialties.

- Study club colleagues
- Accountant /bookkeeper/financial advisor
- Your dental supply representative
- Payroll service

What to Do if You Have a Bonus Plan



The quick answer is, if you have a bonus plan, get out of it! This answer may surprise you, so let's investigate why bonus plans can backfire.

Bonus plans operate on an if/then principle. They promise employees that *if* they do something or reach a target, *then* they'll get a cash reward. While this might appear harmless, this principle creates significant issues in every organization and especially in the dental office.

Study after study, beginning in the 1940s, indicates that external rewards like bonuses don't increase motivation; in fact, they *decrease* it. Daniel Pink, in his seminal book "Drive" concludes that,¹

"Rewards deliver a short-term boost just as a jolt of caffeine can keep you cranking for a few more hours. But the effect wears off and worse can reduce the person's longer-term motivation to continue the project."

One reason bonuses depress motivation is because they undermine our internal (intrinsic) reasons for doing something. A cash incentive is essentially a bribe. When you bribe employees to do something, you imply that the task itself is unrewarding. This creates a reinforcing cycle.

¹ Pink, Daniel (2009) Drive: The Surprising Truth of About What Motivates Us, Riverhead Books.

Employees could conclude that if the boss has to bribe them to do this task, it must not be something they would want to do or should do for its own sake.

Let's look at additional reasons bonus plans backfire.

1. The Ethical Problem



The central problem with bonus plans in healthcare is that it can lead to unethical behavior. By linking an employee's compensation to dental production, you're inadvertently incentivizing employees to recommend more medical intervention to patients who could be treated conservatively.

Consider how a patient would feel if she learned the hygienist was recommending veneers, not necessarily because it was the best treatment option, but because it would mean more money for the hygienist.

Would you want to go to any health professional whose team was incentivized to view you as the means to a bigger paycheck?

In the last two decades, we've witnessed how bonus plans led to unethical behavior. The bonus plans at Wells Fargo, Sears service stations and Enron led to manipulation and fraud because employees were encouraged to enrich themselves at the expense of their customers. This is why bonusing health care workers on production can lead to poor outcomes for patients.

2. Bonus Plans Lead to a Culture of Entitlement



Once employees realize they can earn more for doing things that are already part of their job description, they can develop the expectation they can negotiate an incentive for every responsibility.

Dentists can get into absurd situations where employees expect payment for filling holes in the schedule, performing periodontal therapy, and even taking x-rays. These are tasks that employees should be doing as part of their job responsibilities. If an employee is underperforming, bribing them to do better, isn't going to succeed.

*Bonuses do not increase motivation to do an excellent job.
They only increase motivation to win the bonus.*

Still, employees really value and appreciate the bonus money, don't they?

Nope.

Employees often interpret their bonuses as entitlements and still consider themselves underpaid, because they don't recognize how much they earned through the bonus plan. And because employees still pay taxes on bonus money, they don't get as much as they anticipated, leading to disappointment.

3. Bonus Plans Generate Team Conflict



You might anticipate that bonus plans knit the team together but what frequently happens is that bonus plans breed resentment. When employees equally share a bonus pool, they begin to evaluate each other's contribution and conclude that one staff member or another didn't deserve the bonus. Or, if the bonus plan only rewards one department or individual, the other team members resent that they don't have the same opportunity to make more money.

Employees compete instead of collaborating. They either feel demoralized because they didn't get the bonus or resentful because their colleagues, who they feel didn't deserve the bonus, got as much as they did.

4. Bonus Plans are Both Complicated and Vague



Whether they are based on production, collections or some other metric, many bonus plans are often too complex for the team to track. Employees don't know from one day to the next if they qualified for the bonus.

Sometimes the bonus goal is simply too high for employees to reach. This is why bonus plans can generate confusion and cynicism.

Fueling this confusion is also a vagueness about what behaviors are really being rewarded. For example, if a bonus plan is based on production, what is a hygiene assistant supposed to do differently to increase production?

Most bonus plans don't define new behaviors expected of employees, nor do they include training so that employees can do anything differently than before the bonus plan was introduced.

5. Bonus Plans Create Unpredictable Payroll Expenses



The foundation of this compensation system is that it's predictable, fair and affordable. But bonus plans conflict with those goals because they create *unpredictable* payroll expenses that undermine profitability.

In one practice, a hygienist boasted that their bonus plan enabled employees to earn as much as an extra \$350 per month per person. That's great for employees but terrible for the practice owner. If every employee can earn hundreds of extra dollars per month, the dentist has no way of predicting or controlling employee costs.

This is why blithely instituting a bonus plan in lieu of raises is a bad idea.

Raises allow dentists to predict their employee costs. This then enables them to develop appropriate production and collection goals to incorporate those costs. A bonus plan is the payroll equivalent of the wild, wild, west where anything can happen.

What Should Dentists Do Instead of Bonuses?

As mentioned, one downside to bonus plans is that they create an if/then transaction: “*If you do this, then I’ll give you cash.*” This creates an incentive to get the cash, not to achieve better performance.

The way to acknowledge employees for a job well done and to inspire their motivation to do it again, is to express your appreciation *after* the behavior.

*Motivational research shows that
unexpected rewards
ignite motivation and lead to
improved performance.*



The best rewards are tailored to the person, and are given as a surprise, *after* an employee learns a new skill or achieves a milestone. This might not be as sexy as a bonus plan, but it does inspire employees to do the right things at the right times and for the right reasons.

What if You Already Have a Bonus Plan?

We’ve finally reached the answer to the initial question! If you recognize that you should end your bonus plan, you can do this in a way that is financially fair for the team.

Simply calculate the amount each employee made from the bonus plan in the last year and make that their new base salary.

This is a win for employees because they are now guaranteed to earn that amount again. It's a win for you because you can now predict payroll.



Finally, it's a win for the practice because you can now implement healthier methods to motivate your team.

Your Next Steps



To Do: Now

- Tailor the job description templates in the Tools & Worksheets folder, so they match the positions and expectations in your practice.
- Transfer your expectations onto the Dr and Employee Assessments.
- Schedule a team meeting to explain the system and the process. Distribute the job descriptions and the *Self-Assessment* worksheets if this meeting is close to the end of your fiscal year.
- Share the practice's current production and collection numbers so the team knows if the practice is projecting a collections increase.

To Do: December /January (or the end of your fiscal year)

- Once you have your year-end numbers, determine if there was an increase in collections. If so, create a salary pool from 10% - 20% of that increase.
- Choose a potential salary percentage increase. Express this percentage as points and divide them among the three competency categories.
- Use the Dental Wage Planner to make sure your additional expenses will not exceed the amount available in your salary pool.
- Schedule the performance and salary review conversations and distribute the *Self-Assessment* sheets to each person (if they haven't

already been given out.) Give the team a deadline to get their completed sheets back to you.

To Do: January / February

- Using the Self-Assessments, complete your own Assessment forms for each employee.
- Decide how much of an increase (if any) each employee will get and complete the Compensation Package worksheet for each employee.
- At the performance and salary review meetings, review:
 - Both Assessment worksheets
 - Employee's job description
 - Contract for Growth
 - Compensation Package worksheet

Ongoing

- Throughout the year, provide feedback, direction and coaching so that each employee can achieve their goals.
- Share the practice's production and collection numbers with the team and implement strategies to create an increase in collections.

Congratulations!

You've implemented
the compensation system.



Biography of the Author

Weiss Practice Enhancement was formed from my belief that dentists deserve exemplary, personalized practice management guidance that focuses on implementation.



Sharyn Weiss, Founder
Weiss Practice Enhancement

My work in practice management began at Pride Institute where I was the Curriculum Designer and a Senior Consultant for 17 years. While there, I saw that some dentists were overwhelmed by the pace of learning and the inflexible workshop schedule we imposed on them. I realized that dentists need more hands-on guidance to fully implement the skills and systems we taught.

That's why I do things differently in my own firm. I'm personally invested in each practice's success, and I'm thrilled that 95% of my dental clients choose to work with me year after year.

I've been fortunate to integrate my educational background into this work. I earned BA in English from Queens College and an MA from the Ohio State University in Training & Development. I work with dentists nationwide, while being located in lovely Sonoma County, CA.

Included in the Tools and Worksheets folder

- Your Compensation Philosophy worksheet
- Awarding Points worksheets
- How to find comparable salaries in your community
- Dentist's Assessment worksheet
- Team Member's Self-Assessment worksheet
- Contract for Performance worksheet
- Employee Compensation Package worksheet
- Open-ended Questions
- Job descriptions