



The State of the Industry

Your hospital's culture may be affecting your bottom line

by Ben Williams

WE ALREADY KNOW IT: The most successful practices grow no matter where they are located or how the economy looks.

And from research conducted by AAHA and IDEXX Laboratories for the 2016 State of the Industry report, many are doing quite well, thank you.

In fact, on average, active patients grew 2.6%, visits grew 3.2%, and overall practice revenue grew 6.4% in 2015. Canine and feline visits and clinic revenue from those visits also rose over 2014. That trend in canine visits remains positive, and the rebound in feline visits and revenue looks good as practices make efforts to remove stress for their feline patients.

But not everyone is seeing growth. That overall active patient growth of 2.6% was an average. Successful practices grew 8.7% in active patients, driving the majority of growth across the industry. Some practices actually saw a decline in active patients by 7.1%.

So how does this happen?

Michael Cavanaugh, DVM, DABVP, chief executive officer of AAHA, presented the report at the AAHA Austin 2016 Yearly Conference in March. He recalled from last year's report that in the ongoing analysis of more than 8,000 practices, practices can be categorized as "Decliners" or "Growers." Decliners had negative year-over-year growth. Growers grew up to 10% annually.

From tracking these groups, it's been discovered that about half of the Growers are Consistent Outgrowers, growing revenue more than 10% for two years in a row. Just over half of the Consistent Outgrowers are Power Outgrowers, who grow revenue more than 10% for three years in a row. In 2015, Outgrowers made up 35% of these veterinary hospitals.

Cavanaugh reminded everyone that what drives their growth, as noted in that 2014 report, are the specific actions Growers and Outgrowers take to "strengthen the bonds" between pets and owners, practices and clients, practices and patients, and veterinarians and staff.

But was there something more? Was it possible to understand the qualities of organizational culture in veterinary

practices and determine how culture impacts the performance metrics of a veterinary hospital?

Practice cultures and metrics

In late fall 2015, AAHA teamed up with the Daniels College of Business at the University of Denver to develop an in-depth data and survey analysis to determine why positive organizational culture is important to the effective management of veterinary practices.

Between October 30 and December 1, 2015, 27,202 internet surveys were sent to veterinary practice employees, ranging from support staff members to practice owners at approximately 1,035 facilities.

The survey objectives were to:

- Understand the qualities of organizational culture in veterinary practices
- Evaluate the overall culture and specific subcultures in veterinary practices
- Determine how culture affects veterinary practice metrics

Eight dimensions of organizational culture were identified for the study:

1. **Training and career development:** The degree to which the practice shows an ongoing commitment to the training and career development of all employees and provides continuing education and learning opportunities to all employees.
2. **Rewards and recognition:** The degree to which the practice creates reward systems that reflect important practice goals and rewards excellence.
3. **Institutional fairness and communication:** The degree to which the practice protects the rights of all employees to a fair and respectful workplace and shares information necessary for employees to achieve goals.
4. **Employee involvement:** The degree to which the practice values the contributions and ideas of employees, solicits ideas and suggestions, and delegates decision-making authority.
5. **Teamwork and staffing:** The degree to which the practice encourages teamwork and cooperation, and coordinates efforts across departments.
6. **Supervision:** The degree to which supervisors and managers in the practice communicate a clear understanding of goals, priorities, and performance,

and provide constructive feedback.

- 7. Leadership skills:** The degree to which practice management promotes a commitment to high performance and quality.
- 8. Relationships with veterinarians:** The degree to which veterinarians maintain collegial relations with staff and respect staff contributions to patient care.

Strengths and areas for improvement

A lot of data came out of the study—you can find the full white paper online at aaha.org/public_documents/professional/resources/aaha_2016_du_culture_white_paper_final.pdf. We learned about the overall organizational culture and specific subcultures in these veterinary practices. Most importantly, we found that the culture and the relationship between veterinarians and staff can impact the metrics of success of a veterinary practice.

“In my previous career as a business owner, I thought that culture would just happen. But I learned pretty early on that is not the case,” said Ruth Garcia, EMBA, business manager for Fear FreeSM and panel member at the Austin presentation that discussed the report and study. “The most important thing is asking why: Why are we here? Why do we do the things we do? And why do we do things the way we do them?”

An analysis of responses to the 42 culture questions found strengths as well as areas that needed improvement.

The survey response rate was about 7%—1,850 responses—which is not huge. What that suggested was that the practices with unhealthy or toxic cultures self-selected out. Some practice owners actually called to specifically tell us not to send the survey link to their employees.

The results likely indicate, said Cavanaugh, that the sample comprises employees who are either “actively engaged” or “passengers,” with fewer “ROAD (Retired on Active Duty) warriors,” the ones who quit but decide to stay on.

Cultural dimensions affect metrics

The study found that three cultural dimensions impacted veterinary practice metrics:

- relationships with veterinarians
- teamwork and staffing
- leadership skills and opportunities to contribute



Positive perceptions toward veterinarian relationships were associated with fewer new clients, lower gross incomes, and fewer employees.

Stronger scores on teamwork and staffing were associated with fewer new clients, fewer employees, lower gross incomes, and fewer full-time equivalent (FTE) veterinarians.

Stronger scores on leadership skills and opportunities to contribute were associated with fewer employees, lower gross income, and higher production per FTE veterinarian.

Cultural perceptions affect metrics

Three cultural perceptions impacted veterinary practice metrics:

- production per FTE veterinarian
- number of employees
- gross income

Higher production per FTE veterinarian was associated with more positive cultural scores on leadership skills, employee involvement, and supervision.

Fewer employees and lower gross income were associated with more positive cultural scores on leadership skills, teamwork and staffing, and relationships with veterinarians.

State of the Industry Panel Discusses Findings

At the AAHA State of the Industry presentation at AAHA Austin 2016, a panel of six experts discussed the implications of the 2016 report, as well as the findings in a University of Denver study on practice culture and its impact.

Panel members

- Dan Brod, DVM, Deer Creek Animal Hospital
- Ruth Garcia, EMBA, Fear Free Initiative
- Shayne Gardner, CVT, Coral Springs Animal Hospital
- Randy Hall, 4th Gear Consulting
- Tracey Jensen, DVM, Wellington Veterinary Hospital
- Mark McConnell, BVMS, Emergency Veterinary Hospital

On culture

Brod: We need to always be changing with the times. What works for a 10-doctor hospital might not work for an 80-staff hospital like we have. If you treat the pet right, everything else falls into place. We believe that is one part of the culture that has remained the same throughout all the years we have been doing this.

Garcia: In my previous career as a business owner, I thought that culture would just happen. But I learned pretty early on that is not the case. The most important thing is asking why: Why are we here, why do we do the things we do, and why do we do things the way we do them?

McConnell: I was an associate in a hospital many years ago that didn't promote a lot of growth. It wasn't fun. For me, veterinary medicine needs to be fun, engaging, and challenging. That's the type of culture I want to create or get involved with.

On hiring practices

Brod: All the good practices are low on technicians. Technician schools are very low [on students] compared to what they were 20 years ago. For us, it's much easier to find a veterinarian than to find good support staff. It's hard for us to find someone to even apply. I believe we are in a little bit of a crisis right now.

Connie Croak, CVT (fielding the question for Jensen): It's that first interaction when you get them in the door. It's how they respond to the questions, but it's also a gut feeling; you want someone who is going to fit in. The right people are in the seats now; I'm going to fill the seats with like people.

McConnell: We only have one technician school in Oregon, with 24 students per class. We go up every year and do a pizza lunch. Any time a technician wants to interview, we always take that. We're not always looking for the same people; we look for people who are a little bit different.

On millennials

Hall: Embrace the millennial generation. They value the ability to show up and make a difference. By 2025, 60% of managers in our country will be millennials. They're willing to work really hard for the things that are important to them.

Gardner: The hardest thing is making sure we're embracing the difference between the generations. Boomers are good at working independently; millennials like working as a unit.

On culture and values

Hall: We, as leaders, have to decide on our mission and tell it to staff. When it becomes their values, their mission, we actually involve them in the process. I watch doctors say, "I'm spending all day putting out fires," and our initial impulse is to fix it fast rather than help you fix it yourself. You have to let the culture be something that all staff believe in; otherwise, you have to keep hammering it in to them.

Main takeaway

Jensen: Always ask why: Why are we here, and why do we do what we do?

Brod: We go back to that "why" all the time. For us, it's all about the patients; we focus on that very intently. We always ask: How does this affect the pet? Things fall into place when you think about why you do what you do.

Garcia: Allow employees to give positive feedback to each other. It's not about management rewarding someone, but colleagues rewarding each other.

Staff in smaller veterinary practices enjoy more positive relationships with veterinarians, experience more effective teamwork and staffing practices, and have more opportunities to contribute.

Job impacts perceptions of culture

When looking at four types of employees—with owners excluded—the data suggested a divide between two groups: Associate veterinarians, licensed technicians, and support staff reported less positive perceptions of overall culture, while those in management/administration reported more positive perceptions of overall culture.

But other data suggest the situation may not be that simple. For example, management/administration employees as well as licensed technicians also reported the most positive perceptions of relationships with veterinarians. Licensed technicians and support staff had more positive perceptions of training and career development than those in other jobs.

Here's how those in different jobs saw the practices' cultural dimensions:

- Management/administrators rated training and development, rewards and recognition, leadership skills, institutional fairness and communication, employee involvement, teamwork and staffing, and relationships with veterinarians more positively than those in other jobs.
- Licensed technicians rated training and development and relationships with veterinarians more positively than those in other jobs.

- Support staff rated training and development more positively than those in other jobs and rated relationships with veterinarians less positively than those in other jobs.
- Associate veterinarians rated training and development, opportunities to contribute, employee involvement, and teamwork and staffing less positively than those in other jobs.

The findings seem to strike a chord with panelist Mark McConnell, BVMS, of the Emergency Veterinary Hospital of Springfield, Ore.

“I was an associate in a hospital many years ago that didn't promote a lot of growth,” said McConnell. “It wasn't fun. For me, veterinary medicine needs to be fun, engaging, and challenging. That's the type of culture I want to create or get involved with.”

Learning from the implications

So what's the takeaway from the analysis of all this data?

Perceptions toward relationships with veterinarians and toward training and career development are strong. These results represent good news since both dimensions are critical for patient care, the primary mission of veterinary practices.

Teamwork and staffing, employee involvement and goal setting, supervision, and leadership skills are also rated positively.

Institutional fairness and communication plus rewards and recognition received the lowest scores. Those scores suggest that information flow, both among departments and between leaders and followers, could be improved.

“You have to let the culture be something that all staff believe in.”

—RANDY HALL OF 4TH GEAR CONSULTING



“We, as leaders, have to decide on our mission and tell it to staff. When it becomes their values, their mission, we actually involve them in the process,” said panelist Randy Hall of 4th Gear Consulting, Huntersville, N.C. “You have to let the culture be something that all staff believe in. Otherwise you have to keep hammering it in to them.”

The data also suggest that veterinary practices could improve their reward systems. But that’s a good thing because identifying these factors creates an agenda for improving the culture and, therefore, the practice metrics.

It didn’t matter what type of practice was examined. Employee perceptions of the culture are largely homogeneous whether the practice is emergency, exotic, etc.

Three metrics—production per FTE veterinarian, number of employees, and gross income—did seem to be more affected by perceptions of culture than other metrics studied. The metrics seem to indicate that small practices have a cultural advantage in certain respects. Perhaps this indicates that as a practice becomes larger with more employees, said Cavanaugh, it’s more difficult to establish and maintain a positive culture.

Panelist Dan Brod, DVM, of Deer Creek Animal Hospital, Littleton, Colo., put it in a different light. “What works for a 10-doctor hospital might not work for an 80-staff hospital like we have,” he said. “If you treat the pet right, everything else falls into place. We believe that is one part of the culture that has remained the same throughout all the years we have been doing this.”

Finally, there is a positive relationship between AAHA accreditation and both perceptions of culture and practice metrics. AAHA-accredited practices score higher on six of eight cultural dimensions. Accredited practices also are better performing on production per FTE veterinarian, client retention, number of active clients, gross income, and number of new clients.

The results may be skewed—there was a preponderance of AAHA-accredited practices in the sample—but they do spotlight several advantages to be gained by successful completion of the AAHA accreditation process. The results certainly support the data found in our *Financial & Productivity Pulsepoints* for the last 18 years. The eighth edition is available at our online AAHA store, press.aaha.org.

Perhaps because of the management processes and tools gained through the AAHA accreditation process, there appears to be solid support for successful achievement of accreditation, both financially as well as culturally.

Limitations of the study

As with any survey process, there were limitations:

- Participation rate was low (~7%)
- Practices with “toxic” cultures may not have participated
- Low overlap between owners and employees from the same practice that participated
- Sample sizes for Key Performance Indicator metrics were lower
- Fewer statistically significant relationships
- Large proportion (88%) of respondents were AAHA-accredited members
- Practice owners need a separate survey

What we have begun to learn—and your veterinary practice will be able to benefit from—is that several dimensions of culture have relationships with practice metrics.

The results must be viewed with caution, however, given the challenges of collecting accurate data on metrics and matching the metrics with employees of the practice. As is often the case with a new research thread, there are probably as many questions as answers right now. But we have made a start. ✖



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