



How to take your business' pulse, promote its growth

By: Steve Everhart

Stop. Call a timeout, take a step back and start a thorough and detailed assessment of your business.

And by assessing your business, I'm referring to the process of analyzing all of your current business practices from sales and marketing to recruitment and retention, to operational and financial, as well as reviewing your short and long term goals.

Chances are if you're like many small- to mid-sized private duty home care owners you probably never conduct such an assessment. You get so involved with working in your day-to-day business operations you lose track of the big picture. **Result:** You fail to grow your business to its full potential.

Most business owners just don't have the time to assess themselves. They spend the majority of their time handling the challenges of marketing their business, fielding inquiries and selling their services, staffing and managing cases, resolving disputes, recruiting and training caregivers, collecting payments, paying bills and processing payroll.

But the main reason most business owners don't assess themselves is because they simply don't know how to. I'm going to tell you what questions to ask and how to track and measure the key aspects of your businesses to ensure they keep growing.

Identify financial & operational benchmarks

The first key to successfully assessing your business is to have clearly defined financial and operational benchmarks from which to track and measure your progress. Key financial benchmarks include direct cost of sales

percentage, gross profit margin, administrative staff cost percentage, owner's discretionary profit percentage and accounts receivable turnover.

Some key operational benchmarks are sales conversion percentage, costs per caregiver labor hour and caregiver turnover percentage. [*Learn how to accurately calculate financial benchmarks, see table at end of article.*]

Understanding these benchmarks as they relate to your own business will help you track your current progress, forecast future progress, and identify strengths and weaknesses in your business so you can make adjustments to get your business to where you want it to be.

How to assess yourself, your agency

Besides financial and operational benchmarks, there is so much more about your business that you should assess. A comprehensive assessment includes a review of other business processes, from sales and marketing, recruitment and retention, to questions about your personal goals and objectives, and the reasons you got into the business in the first place.

So where do you start and what kinds of questions should you be asking yourself?

My company, The Senior's Choice, has developed a Private Duty Assessment Tool that the majority of our 200 clients use. It's a list of roughly 100 questions targeting every aspect of your private duty business. By answering these questions, you will walk away with a clear understanding of whether your business is on the right track, or whether certain adjustments need to be made. [*To download the assessment*

questionnaire, go to www.theseniorschoice.com/PDassessment]

There's more to these questions than meets the eye. On the surface, many of them seem straightforward, but they all have a deeper purpose that might not immediately be apparent. **Note:** The assessment tool has no right or wrong answers. What's important are the changes you make to your business in response to the answers you provide.

I've expanded on four questions that assess four different but critical aspects of your business:

“If your business was a person, what would it be like? What personality traits does it have? What is its character and culture?” While this may seem like an odd question to be asking about your business, its purpose is to find out what image your company is projecting to prospective clients and referral sources. This is important because every leading company in the world has forged an image and identity that makes it unique, and therefore recognized and valued by its target audience. If your company does not have a unique identity then it makes it that much harder for you to separate yourself from your competitors.

Solution: Develop a unique selling proposition. Determine what makes your company different – and better – than all the rest, and market yourself accordingly.

“Describe your ideal caregiver profile.”

We all want to hire and retain the best caregivers, but the follow up question is more revealing: “What percentage of your current caregivers fit this profile?” It should be 100%, right? That's what most home care owners say when they start the business: “I'm only going to hire the best caregivers...” So why do a small percentage of your caregivers meet this profile? Do your recruiting techniques need adjustment? Are you recruiting in the wrong places? Do you need to refine your service description so that it appeals to your ideal candidate or weeds out less desirable ones?

If someone other than you is doing the screening and hiring, then maybe it's time you revisited with them the attributes you're looking for or get personally involved in the process.

Or perhaps the problem has less to do with your recruiting and hiring procedures than with profit motives. Could it be that you're putting so much emphasis on meeting customer demand that you are sacrificing your stated principles, leading you to place any warm body with a client without consciously realizing that you are doing this? That's what the assessment will find out.

“Do you track and measure sales calls and know the results of your efforts?” For example, Don Olin, one of our members and the president of Partners in Care, a 4-year-old personal care agency in Charlotte, N.C., tracks every inquiry that comes into the office. He recently determined that the number of inquiries generated by his full page Yellow Pages ad was lower than anticipated, increasing the cost per lead from this source to an unacceptably high level. In other words, the return on investment simply wasn't there.

He cut back on his Yellow Pages spending and increased his investment in Internet advertising, which has become a profitable lead source for the business and is delivering better than expected returns. The result of this is more inquiries, a higher conversion ratio of inquiries that converted into cases and a lower cost per lead.

“What is your business' gross profit margin?” For experienced and successful business owners this should be straightforward, since one of the reasons they are successful is because they track and measure this data. But for the newer, smaller or less experienced operators the answers can vary greatly. If you reply that your profit margin is 15%, what does that mean? How do your margins compare to your competitors? What is the industry benchmark? These are questions that need to

be answered. If your margins are too low, what steps do you need to take to improve them? Will you increase what you charge for services, pay your caregivers less or cut back on advertising? Is it all three, or none of the above? Stimulating these internal debates is what the assessment process is about.

About the author: Steve Everhart is the president and founder of *The Senior's Choice*, the nation's largest network of independent private duty companion care companies. You can reach Steve at 888-725-3655, or steve@theseniorschoice.com.

How to calculate critical PD financial benchmarks		
Benchmark	How to calculate	What it measures
Direct cost of sales percentage	Caregiver wages + Workers comp. insurance + Payroll taxes / Revenue	Measures dollars in direct cost of care for every \$1 of revenue.
Administrative staff cost percentage	Administrative wages + Payroll taxes + Workers comp. insurance / Revenue	Measures how top heavy or light you are in terms of your administrative staff in relation to revenue.
Owner's discretionary profit percentage	Net income before tax + Owner compensation and perquisite / Revenue [Perquisite is benefits beyond salary like paying for medical and car insurance]	Measures overall profitability for every dollar of revenue.
Sales conversion percentage	Assessments / Service inquiries	Measures the percentage of service inquiries that are converted to client assessments.
Source: Steve Everhart, <i>The Senior's Choice</i>, www.theseniorschoice.com		