

# AVMA-Pfizer Business Practices Study

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## Abstract

The goal of the AVMA-Pfizer business practices study was to identify management behaviors, attitudes and actions that had an impact on the incomes of practicing veterinarians. In March 2004, a survey was sent via mail and the World Wide Web to a random sample of 17,063 practicing veterinarians, including 2,255 veterinarians who had identified themselves as bovine veterinarians and 7,195 who had identified themselves as mixed animal practitioners. Responses were received from 2,655 (16%) practice owners and associates with 18% return from bovine veterinarians. Comprehensive statistical analyses were conducted on study findings. The study revealed that four demographics and environmental characteristics has strong relationships with personal income and accounted for as much as 30% of differences among incomes: practice ownership, gender (male), community size and household income of the practice area. However, these were basically uncontrollable. The study also identified seven key business/managerial behaviors in three basic categories that were correlated with income levels in food animal practices, including bovine practices. The behaviors and categories included personnel management (employee development), client relations (new client development, client loyalty), and financial management (business orientation, negotiating skills, frequency of financial data review, sound judgment). The difference in mean annual incomes between veterinarians who ranked in the upper versus lower third in the use of the seven business practices/skills ranged from a low of \$2,880 (new client development practices) to the highest difference of \$47,070 (business orientation).

## Introduction

Success in veterinary practice requires both good medicine and good management. Veterinary practices are businesses. Good management bonds clients to the practice, builds teamwork and reduces employee turnover, generates growth in revenue and profits, and provides financial rewards for practice owners and employees alike. Good management also fosters good medicine, because financial stability provides the resources that provide quality employees, training and technology.

The Brakke management and behavior study<sup>1</sup> conducted in 1998 among companion animal veterinarians revealed that low use of common business practices, inadequate customer service and low financial acumen negatively impacted veterinarians' incomes.

The purposes of the AVMA-Pfizer business practices study were to measure the impact of management behaviors, attitudes and actions on the incomes of practicing veterinarians, and to determine whether certain business tactics have different importance to companion animal, equine and food animal practices. The goal of the research was to identify management practices that are correlated to veterinarians' incomes. The study was commissioned by the American Veterinary Medical Association (AVMA) and sponsored by Pfizer Animal Health Incorporated.

## Methods

The AVMA-Pfizer Business Practices Study was combined with the AVMA's regular biennial economic survey (BES) for 2004. A detailed 14-page questionnaire was distributed as the 2004 AVMA Expanded Biennial Economic Survey.

To ensure adequate representation of bovine veterinarians as well as other food animal and equine practitioners, the names of all members of the AVMA, American Association of Bovine Practitioners, American Association of Equine Practitioners and the American Association of Swine Veterinarians who were identified in their respective association records as practicing veterinarians were combined and duplicates were eliminated. This resulted in the identification of 47,611 practicing veterinarians.

The survey was conducted via mail and the World Wide Web. In March 2004, notices were sent to a random sample of 17,063 practicing veterinarians inviting them to participate in the survey and provided a Web site address for responses to the survey questions. The sample included 2,255 veterinarians who had identified themselves as bovine veterinarians, and 7,195 who had identified themselves as mixed animal practitioners. Responses were received from 2,655 (16%) practice owners and associates. Returns for bovine veterinarians were 18%. Because of the large number of returns, data were robust for all practice types. Results were weighted

to reflect the prevalence of various practitioner categories in the veterinary population.

Comprehensive statistical analyses were conducted on study findings. Each completed questionnaire contained 567 data points. To simplify the data into more meaningful constructs, management behavior (business practice) items based on answers to multiple questions were subjected to factor analysis. Subsequently, data were analyzed via univariate, bivariate and multivariate analysis. The multiple regression weights were stable, reliable and predictive, and the questionnaire was effective at identifying income differences based on use of various business practices. For all comparisons, a value of  $P \leq 0.05$  was considered significant.

## Results

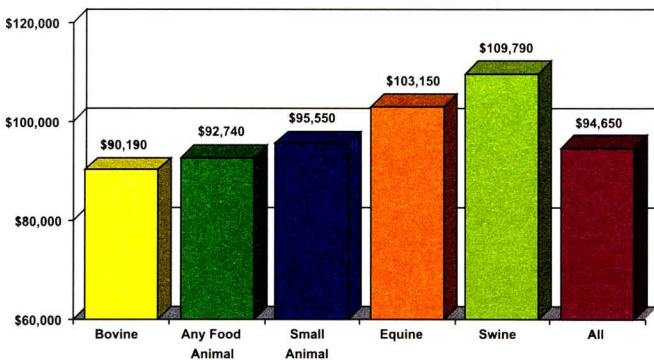
The study identified seven key business/managerial behaviors in three basic categories that drive income in food animal practices, including bovine practices. The behaviors and categories were:

Personnel Management  
Employee Development

Client Relations  
New Client Development  
Client Loyalty

Financial Management  
Business Orientation  
Negotiating Skills  
Frequency of Financial Data Review  
Sound Judgment

Interestingly, there was little difference in income drivers based on the species focus of the practice. For example, for companion animal practices, there were



**Chart 1.** Mean incomes of veterinarians by species focus of the practice. Differences are not statistically significant.

eight key income drivers. Six were the same as those for food animal practices. The study further showed that among companion animal practices, the use of important business practices identified in the 1998 study had not increased, although veterinary incomes were up significantly.

The AVMA-Pfizer Study also demonstrated that veterinary incomes were influenced by several other variables, including demographic, practice location and work time factors.

## Discussion

### *Definition, Profile of Bovine Veterinarians*

According to study results, 18% of all practitioners – 8,570 veterinarians – were involved to some degree in bovine medicine. However, only 9.4% spent as much as 20% of their time in bovine practice, and only 3.3%, or approximately 1,571, spent 75% or more of their time in bovine practice. For purposes of this report, veterinarians who spent 75% or more of their time in bovine practice were considered bovine practitioners.

The mean income of bovine practitioners was \$90,190, the lowest for all types of practice (Chart 1). However, differences based on species focus of the practice were not statistically significant. The mean income for all veterinarians, both owners and associates, was \$94,650.

Comparison among types of practices was somewhat difficult. For the veterinary population as a whole, about half are men and half were women. About half were owners and half associates. But for bovine veterinarians, 85% were men and 66% were owners. On average, men earned more than women, and owners earned more than associates. Position for position, mean incomes of food animal practitioners are lower than those of companion animal practitioners. But the mean incomes for the categories were not significantly different.

About half of bovine veterinarians worked in ambulatory practices, and 40% in veterinary clinics or hospitals. There were 8% who worked in specialty practices, which included consultants. The average bovine practitioner was 42 years old, had been practicing for 16 years, and had been in his current position for 12 years. The average bovine practice had been in business for 27 to 31 years. Dairy practices had an average of 2.7 owners; beef practices 1.3 owners. Dairy veterinarians earned on average \$97,410 per year; beef veterinarians, \$83,620. Both worked an average of 50 hours a week, and more than 48 weeks a year.

### *Non-business Characteristics Affecting Income*

Multiple regression analyses revealed that four demographic and environmental characteristics had strong relationships with personal income and accounted for as



much as 30% of differences among incomes. These included practice ownership, gender (male), community size and mean household income of the practice area. In most instances, these variables are considered uncontrollable and beyond the purview of day-to-day management. In general, community size and household prosperity had little influence on bovine veterinarians' incomes, because nearly all were located in small, rural communities.

Other factors that influenced incomes were size of practice and region of the country. In general, the more doctors in the practice, and the more staff per doctor, the higher the mean incomes. Veterinarians in the midwest typically earned less than their counterparts in other regions of the country.

For the study overall, time spent working had strong correlation with income. However, there were very few part-timers in bovine practice.

*Business / Managerial Practices and Behaviors*

To determine the impact of business practices and managerial behavior on veterinarians' incomes, the AVMA-Pfizer Study examined 60 individual management variables. Factor analysis grouped these into 25 distinct business practice or skill categories. With income as the dependent variable, multiple regression analysis was run on the 25 skill/behavior categories for all veterinarians, and well as separately for food animal, mixed animal, companion animal and equine veterinarians. There were seven to nine key income drivers in three basic categories identified for each type of practice, with significant overlap. In short, differences based on species focus of the practice were small.

The study demonstrated that there were three fundamental pillars of financial success as defined by personal incomes of practicing veterinarians – personnel management, client relations and business/financial management. There were seven key income drivers identified for bovine and other food animal practitioners. They were employee development (personnel management); client loyalty and new client development (client relations); and business orientation, negotiating skill, frequency of financial data review and sound judgment (business/financial management). The financial impact of these seven skills and practices is demonstrated in Table 1.

**Employee development**—Employee development is a combination of six activities that includes regular written and oral performance evaluations, written job descriptions, well-defined performance expectations, a structured process for selecting new employees and a leader who coaches. Less than 30% of bovine practices use written job descriptions or conduct annual performance evaluations. This factor had one of the highest relationships to income in all types of veterinary prac-

tice, regardless of species focus. Developing written job descriptions, conducting annual performance evaluations and providing clear, constructive and timely feedback to all employees are steps that any practice can take to improve employee management.

Given the challenge many practices experience in finding associate veterinarians, the AVMA-Pfizer Study asked both owners and associates to identify the three most important factors in attracting and retaining associates. Interestingly, the answers given by both owners and associates were quite similar. The three most important factors in attracting associates were initial compensation and benefits (69%), location of practice (50%) and quality of medicine and surgery (48%). The percentage of bovine veterinarians that ranked each attribute in the top three is shown in parentheses. The three most important attributes for retaining associates were regular salary increases (52%), employees valued as part of the team (39%) and employees treated with respect (38%). Interestingly, associate veterinarians ranked quality of medicine and surgery higher than owners did. For associate veterinarians, it was one of the top three factors for both attracting and retaining associates.

**New client development**—When there are fewer and fewer cattle producers each year, it may not be obvious that new client development is a key business practice. But the AVMA-Pfizer Study showed that it is critical to the incomes of bovine veterinarians. This factor included such business practices as encouraging referrals, sending welcome letters to new clients and offering incentives for client referrals.

**Client loyalty**—Likewise, client loyalty is a key income driver. To measure client loyalty, respondents were asked to rate their practices on a five-point scale on such attributes as 1) clients frequently recommend this practice to other potential clients, 2) most clients

**Table 1.** Difference in mean income between veterinarians who ranked in the upper versus lower third for use of seven business practices/skills that correlate most strongly with income.

Business practice	Income difference (\$)
Business orientation	47,070
Frequency of financial review	42,570
Employee development practices	34,470
Negotiating skill	31,210
Client loyalty	28,900
Sound judgment	22,410
New client development practices	2,880

will continue to use this practice, and 3) this practice definitely earns its clients' loyalty. Food animal veterinarians scored slightly lower on this factor than companion animal and equine veterinarians.

There are several things bovine practitioners can do to develop new clients and instill loyalty:

1. Send new clients a welcome letter; let them know that the practice appreciates the trust they've placed in it.
2. Establish a program that encourages present clients and community opinion leaders to refer others to the practice.
3. Send periodic surveys to clients asking their feedback on how the practice is doing at meeting their expectations.

Of the seven key income drivers for food animal veterinarians, four fall under business/financial management.

**Business orientation**—Business orientation includes such behaviors as use of financial concepts to manage the practice, defining staff goals that are consistent with practice goals and linking salary increases to personal and practice productivity. Men scored higher on this factor than women. For the veterinary population as a whole, business orientation had one of the strongest correlations to high incomes. Scores on business orientation for bovine veterinarians were similar to those of other types of practitioners.

**Negotiating skill**—Negotiating skill is often associated with business success. Many things veterinarians do in everyday practice is a negotiation – advising a herdsman on a new vaccination protocol, deciding on whether to change arrival treatment strategy, discussing a salary increase with an associate, or a fee increase with a client. They involve judgment and points of view. The AVMA-Pfizer Study used a battery of questions proven to measure competency in negotiating.<sup>2,3</sup> Veterinarians who mastered this competency earned higher incomes than those who did not.

**Frequency of financial data review**—Data for this factor indicated whether practice owners analyzed such information as revenue, profit or loss, and key performance indicators monthly, quarterly, annually, or never. Those who reviewed all financial data on a monthly basis had significantly higher incomes than those who monitored their financial performance less frequently, monitored fewer data, or both. Although

most practice owners reviewed at least a portion of their financial data monthly or quarterly, those who didn't typically paid a high penalty in the form of lower incomes. Bovine veterinarians, especially beef practitioners, were much less likely to review key performance indicators monthly or quarterly than were other types of veterinarians. Tracking revenue production monthly for both owners and associates veterinarians is one of the best measures of practice performance.

**Sound judgment**—This factor was also measured using a battery of questions. They included such things as setting long-term goals, planning ahead to minimize problems and defining issues clearly despite incomplete information. Bovine veterinarians scored about average on sound judgment. Multiple regression analysis demonstrates that it was a key income driver for food animal veterinarians.

What can bovine practitioners do to improve their financial management practices? Three important steps are:

1. Calculate and know revenue production by doctor every month.
2. Track a full set of key performance indicators as well as profit and loss monthly. Key performance indicators can vary from practice to practice. Each practice owner should decide on the best measures for his practice, based on annual goals.
3. Link salary increases to improvements in personal and practice performance.

## Summary

This study identified actionable business practices that in this study correlated with veterinarians' incomes. It reaffirmed that factors such as practice ownership, gender (male), community size and mean household income of the practice area are also related to income. In most instances, these variables are considered uncontrollable and beyond the purview of day-to-day management.

## References

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