



## Bruce Annabel Business Just lucky... or great leadership?

Last month I suggested the responsibility for business viability depends much more on owners reforming their businesses than it has in the past. This column will describe how two pharmacy owners demonstrated effective leadership to successfully lead and manage business model changes.

### THE WAY THEY WERE

#### Pharmacy 1

This pharmacy trades seven days per week, is located in a suburban strip convenience centre with a supermarket and 15 retailers, and occupies 170m<sup>2</sup> floor space. It processed 1400 scripts per week and turned \$4m pa. A 'pretend discount' pharmacy is across the street, five traditional pharmacies are located within a two kilometre radius and two warehouse style pharmacies are within the secondary catchment area.

The pharmacy competed purely on location convenience, offered a convenient dispensing service like most pharmacies, sold medicines and the usual array of product skewed towards sundry merchandise. Customer service was offered by assistants with some support from pharmacists when they decided to 'come out' from the dispensary. Some services were offered including HMRs, clinical interventions plus community medication management packs.

Pharmacists processed the scripts, no technicians were employed and the inaptly named 'retail manager' did whatever she thought was right.

Not surprisingly Pharmacy 1 found itself losing scripts, struggling to hold customers and resorting to price discounting to 'compete'. That of course had the effect of driving down net profit, cash flow and the pharmacy valuation because script and

customer numbers didn't grow much at all while the overheads did. 'Wrisk' level (refer my *AJP* column 'Manage your Wrisk', May 2013) was very high at 61%.

#### Pharmacy 2

The circumstances for this pharmacy are very similar to Pharmacy 1 in location, centre retailer mix, trading hours, pharmacist behaviour, poor quality service, merchandise mix, competition, losing script and customer numbers. It had fallen into price discounting and net profit was retreating. 'Wrisk' level was 55%.

It is different to Pharmacy 1 in that it occupies 145m<sup>2</sup>, processed 1200 scripts per week and turned \$3.2m pa. However the major differentiating factor is the population demographic which is low socio economic, pensioners, high welfare dependency and high unemployment.

Both pharmacies exhibit elements that I commonly find in most community pharmacies, which explains why many pharmacies find themselves in difficulties.

### CATALYST TO CHANGE

#### Pharmacy 1

In 2011 the owner discovered, after having a valuation done for the bank, that it was worth less than what had been paid for it three years earlier. In the owner's own words 'that was a huge motivator to pull our finger out and do something different'.

'Quite simply, I showed the staff \$100 as \$1 coins and distributed them according to our outgoings, showing them that the net profit was decreasing and these other costs were fixed. There was no choice but to lift our game if they wanted to keep their job.' The cash flow was beginning to tighten and there was little left over to reduce the bank debt.

#### Pharmacy 2

A new managing partner bought out the previous owner and set about reforming the business. She had a large debt which was matched by her incentive to change the business model and build profitability.

Leadership must be present as the catalyst to drive and maintain the necessary changes. Both owners demonstrated excellent leadership.

### CORE VALUES

#### Pharmacy 1

Core values of the owner were based on delivering valued customer health outcomes as the primary objective, with the pharmacist at the core. The owner's vision was: 'to provide a primary care service to meet the needs of the community due to our convenience and accessibility. A service based health-solution focus offer'.

But the biggest issue was breaking the existing culture, which was a reactive script supply business where pharmacists processed scripts and assistants interacted with customers.

The staff roles were around the wrong way and had to be reversed which led to the culture block. In the owners words: 'it was all wrong. We were trying to be everything to everyone and not doing anything well. My staff, including the pharmacists, were resistant to change. Their aim was to get the customers in and out in minimum time with minimal interaction'.

'Overcoming culture block involved all staff completing SWOT individually which were pooled for our Team SWOT.' Then: 'empowering staff to speak about what concerns them and I was happy to hear their issues/problems. I created a culture of ownership and self-management'.

#### Pharmacy 2

The owner's core values were similar to Pharmacy 1 and led to implementing a vision that bound all staff and determined all business strategies henceforth: 'To make a difference to our customer's health'.

As with Pharmacy 1 there was a huge sense of resistance from pharmacists and staff that was overcome by the leader listening, nurturing, empowering and acknowledging. She had to practice what she preached and 'Walk the talk' which resulted in breaking down the culture barrier.

Then followed an agreed call to action: 'To be the best', 'better than the rest' that created a 'highly motivated customer centric focus on health solution services'.

### LEADERSHIP

Effective leadership is the critical element in understanding the need to move away from the old competitive and business models and implement the necessary reforms; then to drive the change from the top rather than waiting for luck to intercede.

The owners of these two pharmacies recognised the gathering challenges to the traditional pharmacy competitive and business models and set their minds to doing something about it instead of hoping luck will get them through.

Now, reaping the benefits of some hard work, including breaking through the barriers to change, they have demonstrated what effective leadership can achieve through innovation and grasping the opportunities available to every owner/pharmacist. They created their own luck! ☺