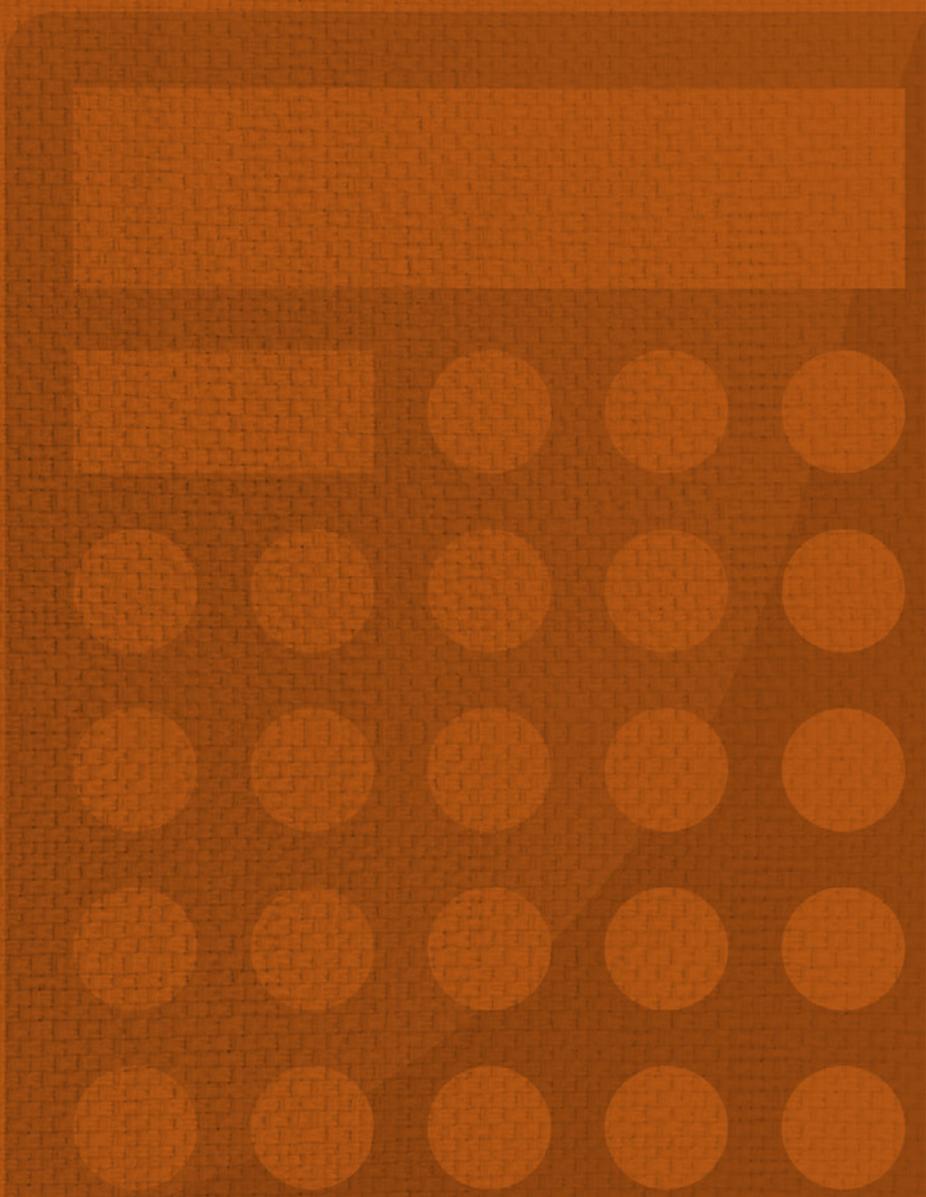

Operate Your Pharmacy Like a CEO

A Guide for Growing
Independent Pharmacies



Expanding to Multiple Locations

A Guide for Growing Independent Pharmacies

Introduction

If you're like many independent pharmacists, you didn't train to be a business owner. Your path involved trial, error, and a decent dose of common sense. This guide discusses how, in addition to being an excellent pharmacy provider, adopting a "CEO" mindset can help you to objectively evaluate your pharmacy and pursue growth opportunities. Whether you've owned your store for a while or you're just starting on that path, you'll find tips for viewing your business through a strategic management lens that can help you to uncover inefficiency, improve operations and increase your competitive position.

Your First Steps: Changing Your Routine

All too often as a practicing pharmacist/owner you find yourself trapped in the role of overworked chief employee. You dream about getting out from behind the counter so you can grow your business and personal income, but may find it's quite another matter to start incorporating a CEO approach.

STEP 1 Get out your schedule

Filling scripts full-time and doing business activities "after hours" isn't quite working. So, mark off the hours each week that you'll devote to planning and actively managing your business. Don't be too busy to evaluate how you could generate new revenue and make your business more efficient and competitive. Commit to making the time to also approach your pharmacy as a business venture.

STEP 2 Create a formal budget

What's good enough for managing family finances isn't necessarily adequate for a well-managed pharmacy. Without basic financial information, creating clear paths to improve your top line is challenging. Start by accounting for your prior year's income and expenses and monitoring progress toward defined performance goals at scheduled intervals throughout the year. You'll find that simply starting to measure can sensitize you to ways to control income and adjust expenses.

STEP 3 Establish financial goals and a concrete vision

Get familiar with the metrics that tell you about your financial position, such as profitability, cash flow management and major expenses. Also consider measures of productivity. When possible, benchmark against industry standards, such as those found in the yearly *NCPA Digest*.

Additionally, create a plan that documents your longer-term aspirations in measurable actions. Brainstorm with your staff on how to increase revenue and control expenses. Start with the following questions to get some ideas, and then look for online templates to guide you through the planning process:

- How large an enterprise do you wish to become?
- What makes you different from your competition and how are you leveraging this?
- What investments will you need to make, why, and when do you expect to see a return?
- How will environmental factors hinder or help your plans for growth?



Measure Everything

Both fiscal and operational metrics are equally important in helping you to identify opportunities for greater profitability and make informed adjustments.¹

1 Financial statements

- Balance sheet provides a snapshot of your pharmacy's assets, liabilities, and net worth
- Income statement (or P&L) summarizes your pharmacy's sales, COGs, gross profit margin, expenses, and net operating income

2 Productivity measures

- Customer volume
- Sales per employee
- Script per employee hour
- Rx and non-Rx sales per square foot
- Generics efficiency (dispensed vs. total generics opportunities)
- Inventory turns

Your Final Steps: Mastering the Balancing Act

Once you've worked through Steps 1 through 3 around planning and goal setting, it's time to consider ways to find the optimal balance between patient care and business management. While it won't happen overnight, here are three additional steps to help you fully transition into your new role as Pharmacist/CEO.

STEP 4 Manage both behind and in front of the counter

Don't get so trapped on the filling treadmill that you overlook inefficiencies or miss opportunities to walk around your store and see how you can improve its customer-facing aspects. Seeing your pharmacy through your patients' eyes can bring insights.

- Is your store clean and inviting outside?
- Is the front end well stocked and items easy to find?
- Are patients greeted and offered assistance when they walk in, and given a pleasant goodbye when the leave?

STEP 5 Make weekly staff meetings a priority

Your staff looks to you for leadership, not just for your clinical expertise. You define staff roles and responsibilities, establish operational guidelines, and set business goals. Regularly meeting with your team can help them to understand how crucial their performance is to achieving your objectives.

You'll find an endless number of topics that engage your team and improve your pharmacy's performance — from resolving patient complaints and improving loyalty, to marketing and team appearance, to workflow and required training. Ask your staff to come up with agenda items and make your meetings interactive. Document decisions and processes you develop together.

STEP 6 Empower your staff

The only way to free up time to perform your executive role is to delegate more duties to your staff. Focus on the high-value activities that require a pharmacist's expertise like verifying accuracy, providing patient consults, and calling physicians. As much as you can, leave intake and data entry to your clerk and filling to your technician. And look to automate as much workflow as possible.



Special Considerations

Don't underestimate the importance of your role as team coach and cheerleader. Recognize and reward employees that are moving your pharmacy toward the goals you've set.

A Little HR Goes a Long Way

According to Gallup Inc.'s research on the best places to work, employees want to know what is expected of them and how they are doing at performing those tasks. Although human resources can feel overwhelming, three documents will help you to accomplish this:



Accurate job descriptions



A performance review process



An employee handbook to communicate and consistently enforce company policies

Several cost-effective online resources are available. Or, network with another like-minded owner who has already created these documents, is willing to share, and will discuss their effectiveness. If you already have these resources, be sure to use them regularly and consistently and keep them up to date.²

Adopt Technology to Free Up Time

Investing in pharmacy technologies can help you spend less time dispensing and increase overall productivity so that you have more time to focus on managing your business:

- **Interactive voice response (IVR)**, if you're not using it during business hours, is a simple way to increase prescription rates while decreasing unnecessary time spent on the phone.
- **Sending renewal requests to physicians via e-prescribing** — and not just receiving first fills — can help you save time with faxes and calls.
- **Automated counting and dispensing machines** can help to reduce the time you need to spend behind the counter.
- **An advanced pharmacy-management system (PMS)** with workload balancing and remote access can also free up more time. You'll also help improve your cash flow with tighter inventory management.
- **Integrating your point-of-sale (POS) system** with your PMS enables you to implement programs that help increase patient satisfaction and purchases.

Conclusion

The joys of being an independent pharmacist owner, such as calling your own shots and determining your destiny, are balanced by the management and leadership responsibilities you have as the CEO. The ideas in this guide can help you to take a more systematic approach to embracing your leadership role. The proactive steps you can take to efficiently integrate core business-management activities into your daily routine will help you refine your operations and realize your future vision.

If you'd like to speak with your local McKesson pharmacy advisor about how we can help you run a better business and see your vision for growth realized in the future, please check out www.BetterPharmacyHealth.com or contact us at 866.329.0113.

McKesson Corporation

One Post Street
San Francisco, CA 94104

www.mckesson.com
866.329.0113

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1 Live Oak Bank. "Understanding Business Financials: Benchmarking for Success." (Reference: LeFever, S. Enhancing Your Financial Fitness. *America's Pharm.* 2010; October: 47-52.) Accessed online: 11/1/2012.

2 *Financial Advisor Magazine*. Youngwirth, J. "Two Hats: How can you manage your roles as business owner and financial advisor simultaneously?" May 2012 Issue. Accessed online: 11/1/2012.