

Business of Health Notes

1. Business Strategy
2. Financial Management
3. Marketing & Inventory Management
4. Leadership & Managing People

1. Business Strategy

Environment Scans

Environment	External	Internal
Components	<ol style="list-style-type: none"> 1. <ul style="list-style-type: none"> - PEST-DGP 2. Industry environment <ul style="list-style-type: none"> - _____ 5 Forces of Competition 3. _____ environment 	<ol style="list-style-type: none"> 1. Resources <ul style="list-style-type: none"> - Tangible - Intangible 2. Capabilities & Core Competencies 3. Porter's _____

The Competitive Landscape

1. The _____
 - Increased volatility of financial markets
2. Rapid _____
 - Shorter product lifecycles
3. _____
 - The internet – increased influence
 - Huge advertising budget – not as effective as before
4. _____
 - Economies of scale – global competitors
 - Industry boundaries – blurring
 - Gaining CA in extremely intense rivalry among firms by establishing 1st mover advantage

SWOT Analysis

S = Strength

W = Weakness

O = Opportunities

T = Threats

5. _____

- Financial capital is scarcer – harder to borrow funds
- More flexible & innovative management mind-sets
- Corporate Social Responsibilities (CSR):

oriented towards a range of stakeholders other than economic-focused values.

i. _____

- Shareholders
- Major suppliers of capital (e.g. banks)

ii. _____

- Primary customers
- Suppliers
- Host communities

iii. _____

- Employees
- Managers

SMART Objectives

S = _____

M = _____

A = _____

R = _____

T = _____

Vision	Mission
Direction	Markets in which the firm intends to compete.
Future	The customers it intends to serve.

Internal Environment Scan

Core competencies	Capabilities
Capabilities that are	The capacity for a set of resources to perform a task or activity in an integrative manner
i. V	
ii. R	Often based on developing, carrying &
iii. C	exchanging information & knowledge through
iv. N	the firm's employees

**all core competencies are capabilities; not all capabilities are core competencies*

Resources Analysis

Resources themselves	Key points & differentiators
The configuration of resources	Turning into core competencies to yield CA
Resource audit	Effectiveness & potential improvement in deployment

Resources

Tangible	Intangible
1. _____ <i>capital</i> - The firm's borrowing capacity - The firm's ability to generate funds internally 2. _____ <i>capital</i> - The firm's formal reporting structure - The firm's operational systems including policies and procedures 3. _____ <i>capital</i> - Plant & equipment - Location of plant & equipment - Access of raw materials 4. _____ <i>capital</i> - Patents - Trademarks - Copyrights - Trade secrets	1. Knowledge 2. Managerial capabilities 3. Organisational routines 4. Firm's interaction with stakeholder's (i.e. relationship) 5. Capacity for innovation 6. Brand name 7. Firm's reputation

The Basic Value Chain - Porter

Primary activities	Support activities
Operational Delivery	Strategic Development
I O O M S	F H T P

Strategy formulation / selection

Intuitive	Rational
Divergent problems (multiple solutions)	Convergent problems (1 solution)

Business-level strategies: Strategic Fit

	Basis for Market Segmentation	i. Demographic factors ii. Socio-economics factors iii. Geographic factors iv. Psychological factors v. Consumption patterns vi. Perceptual patterns
	Determining which customer needs to satisfy	i. Low cost with acceptable features ii. Highly differentiated features with acceptable cost
	Determining core competencies necessary to satisfy customer needs	Emerge over time through an organisational process of accumulating & learning how to deploy different resources & capabilities

Types of Strategies

Business strategy	Advantages	Risks
(broad)	Process innovations. Able to force the suppliers to keep their prices down.	Cost becomes obsolete because of competitor's innovations
(broad)	Investing in developing features that create values.	Cost of differentiation is too high. Counterfeit of brand-name product.
(narrow)		
(narrow)		
	Can adapt to new technology and rapid changes in the external environment.	Stuck in the middle. Difficult to perform primary and support activities that allow them to produce relatively inexpensive products with level of differentiation that create value for customers.

Learning Organisations

Innovation Categories	Focus	Potential weakness
	Incremental innovations that can be developed rapidly & inexpensively. e.g. Line extensions & more convenient packaging.	Focus on current products & customers
	Taking existing brands & product lines to new customers & markets without requiring major change in current capabilities	Relative ease with which competitors with similar capabilities can imitate the innovation
	Deepening customer satisfaction & loyalty to the brand or product line by adding new organisational capabilities	Investment cost & implementation time
	Radical innovations that transcend current product lines or brands to make fundamental changes in both its strategic scope & capabilities	High risk of failure

2. Financial management

Financial Management Objectives

1. _____
 - Above average returns (AAR)
2. _____ *(or cash reserves)*
 - Cash flow- sufficient cash to pay bills
3. _____
 - Healthy balance between debt & equity

_____ : The method of allocating a long-term expense over the period of its life

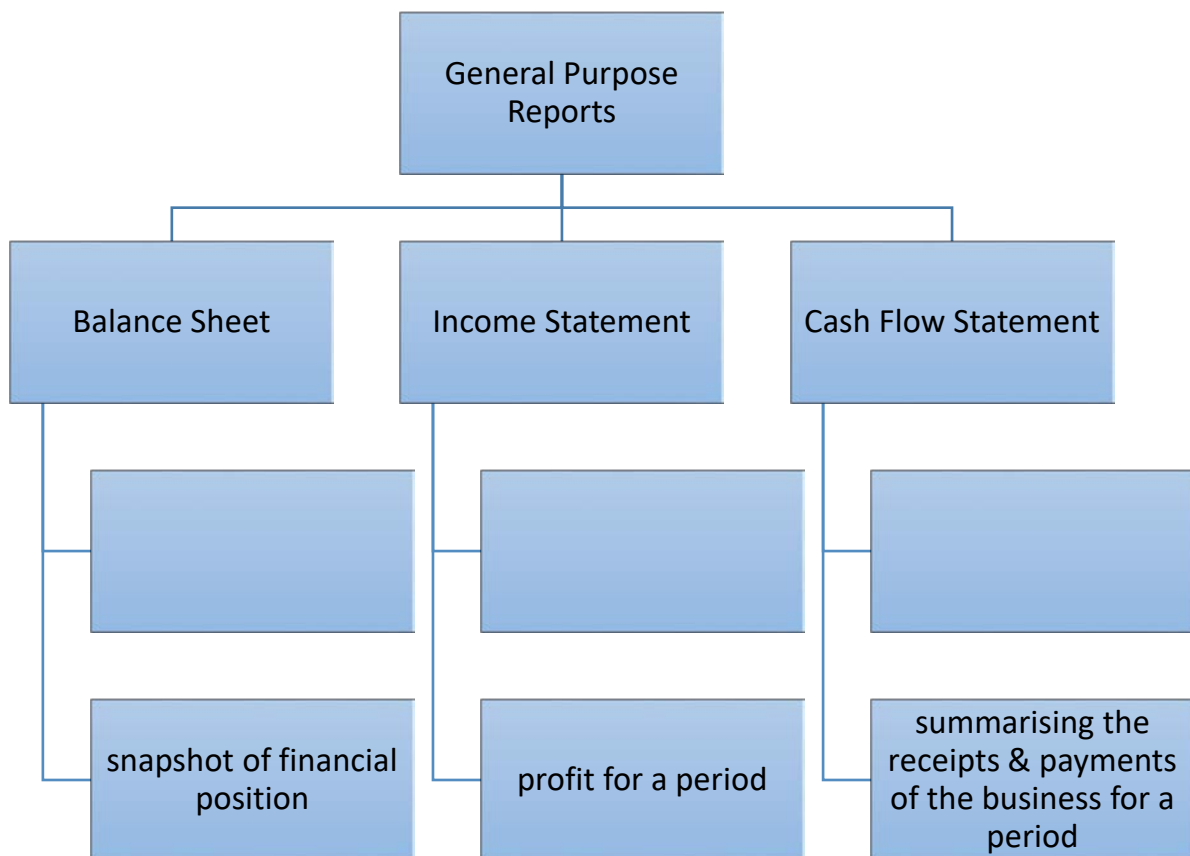
Accounting Entities

1. S _____
2. P _____
3. C _____
4. P _____ (the government & government-owned businesses)
5. N _____

Some Underlying Accounting Assumptions

	The business is separate & distinguishable from its owners
	Assets are recorded at their historical cost
	Recognises expenses when incurred & revenues when earned rather than when cash is received
	Assumed that the business will continue its operating activities

The Key Financial Statements



1. Balance Sheet (at __ / __ /20__)

	Current	Non-current	
Timeline	Within 12 months	After 12 months	
Assets		<u>Physical resources</u>	<u>Non-physical resources</u>
Liabilities			

*Owner's **Equity** = Capital + Profit – Drawings

2. Income Statement (for the period 1 / 7 /20__ - 30 / 6 /20__)

In the black	In the red

*Major expense: COGS

3. Cash Flow Statement (1 / 7 /20__ - 30 / 6 /20__)

- i. _____
 - Cash transactions that pertain to everyday business, including interest expenses
- ii. _____
 - The purchase or sale of non-current assets
- iii. _____
 - Raising or repaying long term funds

Benchmarking Ratios : Value Improvement

1. National or world best-practice
2. Averages for the industry
3. Other organisations in the same industry
4. The one organisation over a number of years
5. Alternative forms of investment

Financial Analysis - Benchmarking Performance with Ratios

	Use	Formula
Gross profit margin	Margin not including other incomes	
Net profit margin	Margin including all incomes	
EBIT margin	Trends/fluctuations due to operational causes	
Expense component ratio		
Asset turnover ratio	Relationship of sales to total assets	
Return on investment (ROI)	Profit on every dollar spent	
Gross margin return on inventory investment (GMROI)	Expresses a seller's income for every dollar spent on inventory	
Inventory turnover (stockturn)	Measure efficiency of inventory management	
Accounts receivable turnover	Measure of the efficiency to manage account customers	
Current asset ratio (Working Capital Ratio)	Difference between current assets & current liabilities	
Quick asset ratio (Acid test Ratio)	The speed at which conversion to cash can be made *inventory & hire-purchase items excluded – can't be converted to cash quickly	
Cash flow ratio	Measure of short-term liquidity	

Breakeven point	Level of sales where no profit or loss is made *other income ignored	
Margin of safety	The percentage by which sales exceed the breakeven point	
Sales to breakeven point ratio	The extent to which profits are vulnerable to a decline in sales	

Budgets: Financial Planning Tool

Financial planning : The right amount of funds is available at the right time & at the right cost for the level of risk involved to enable the firm's objectives to be achieved

Budgets : Short-term, detailed financial plans

Preparation : Creating a forecast in demand

a. Operating

- Anticipated revenues & expenses for the specified time frame

b. Cash

- Anticipated inflows & outflows of the specified time frame

c. Capital

- Planned investment in fixed assets
- Reflect the costs of purchasing fixed assets that are required to meet the business's objectives

Recap!

Which financial statement to use for each budgeting?

Recap!

Asset Turnover Ratio Formula:

Key Performance Indicators (KPIs)

1. _____

- No more than 5 to 6

2. _____

- New customers & retaining regular customers
- New services & staff/customer interaction

3. _____

- Realistic to the achievement of the desired results
- Easy to measure

- Fixed costs
- Variable costs
- Income
- Actuals
- Analysis
- Time frame

4. _____
- Pick a comparison period (weekly or monthly)

KPIs	Measurement	Example
	The efficiency or productivity	The number of days to deliver an order The time taken to dispense & deliver discharge medication
	Assets & resources invested in to generate business results	The dollars spent on employee training
	The financial & non-financial results of business activities	The number of new customers that have been acquired Determining the reduction of risk with management plans
	Activities that have a significant effect on future performance	
	The success or failure after an event	Most financial KPIs
	Overall results of a business activity	Brand awareness Customer retention
	Descriptive characteristic, an opinion or trait	Customer or employee satisfaction
	Numbers	(very common – e.g. in financial analysis)

3. Marketing

The Essence of Marketing

- _____
1. Attract customers
 2. More appealing to customers
 3. Draw customers' attention to your products & services
 4. Sell product / services
 5. Improve 'branding'

	Catalogue, flyer
	TV, newspaper, radio
	Discount coupon, competition, sale
	Phone, face to face
	Website, social media
	Sponsorship, media release

*personal recommendation is most POWERFUL

The 4 Business Philosophies

Business Philosophy	Description	Motto
	When demand exceeds supply. Competitive pressures are few	If we build it they will buy it
	Initially adopted product orientation.	Selling what we make
	Gather, share and use information 'about the market' to make decisions before engaging in the sales process.	Make what we can sell
	Sustaining long-term relationships with their most profitable customers and various other stakeholders	Customer relationship management

Dimensions of Marketing

Macro	Micro

A. Branding (6 elements)

What you are	
What you stand for	
What you deliver	
What you care about	
How you behave	
How you look	

Brand	Description
	Feeling of a product
	Emotional aspect of services
	Unique, better price, performs better
	Different flavours, different brand of same company
	Private label or store brand: brands that carry the retailer's name

B. Marketing Strategy & the Marketing Mix

1. _____
- Reasonable
2. _____
3. _____
- Via avenues where noticed by target market
4. _____ (distribution)
- Easy access by target market
- Equipment readily available from suppliers
5. _____
- High quality, professional

C. _____

- Bundle of benefits to fulfil customers' needs and wants

D. External Environmental Forces

Environmental scanning

- i. Socio-cultural forces
- ii. Politico-legal forces
- iii. Economic forces
- iv. Natural forces
- v. Competitive forces

E. Consumer Behaviour

- The Consumer Buying-decision Process: _____
- Whether to purchase
 - What to purchase
 - When to purchase
 - From whom to purchase
 - How to pay for it

Difference between what consumers are willing to pay and what consumer actually pay.

Consumer	Businesses
Choose the firm that offers the greatest amount of consumer surplus	Want the consumer surplus to be the smallest possible

To render a good / service widely available & interchangeable with one provided by another company (i.e. indistinguishable from other competitors)

- The introduction of different business models to pharmacy
- The erosion of markets through de-scheduling of many S2 medicines to open sellers
- Consumers became more price conscious with the GFC

Traditional Response :
Reduce costs & increase efficiencies in workflow & processes

- Long-term solutions :
- Multi-pronged approach
 - Cost & capacity efficiencies – workflow design
 - Improve customer service, improve staff training
 - More competitive pricing
 - Most smaller pharmacies have adopted a differentiator strategy with professional services

F. Marketing Services

Differences between Goods & Services

	A service cannot be seen, felt, tasted or touched.
	<ul style="list-style-type: none">• The service provider's physical connection to the service being provided• The customer's involvement in the service production process• The involvement of other customers in the service-production process
	Variation in consistency from one service transaction to the next.

	A service cannot be saved; its unused capacity cannot be stored or reserved & it cannot be inventoried.
--	---

G. The Service Experience

The Service-scape

Ambient conditions	Room temperature, music, air quality, noise level, odours
Inanimate objects	BP monitor, furnishings, layout, décor
Other physical evidence	Signs, symbols, photos, awards, certificates, uniforms. Has a role in: <ul style="list-style-type: none"> • Packaging the service • Facilitating the service delivery process • Socialising the customers and employees • Differentiating the firm from its competitors

H. Marketing to Increase Organisational Growth Opportunities

Growth Strategy	Description
	By developing growth within current operations
	By acquiring other businesses directly related to existing operations
	By developing growth by acquiring other businesses not directly related to existing operations

Growth Strategy	Market	Product
Market penetration		
Market development		
Product development		
Product diversification		

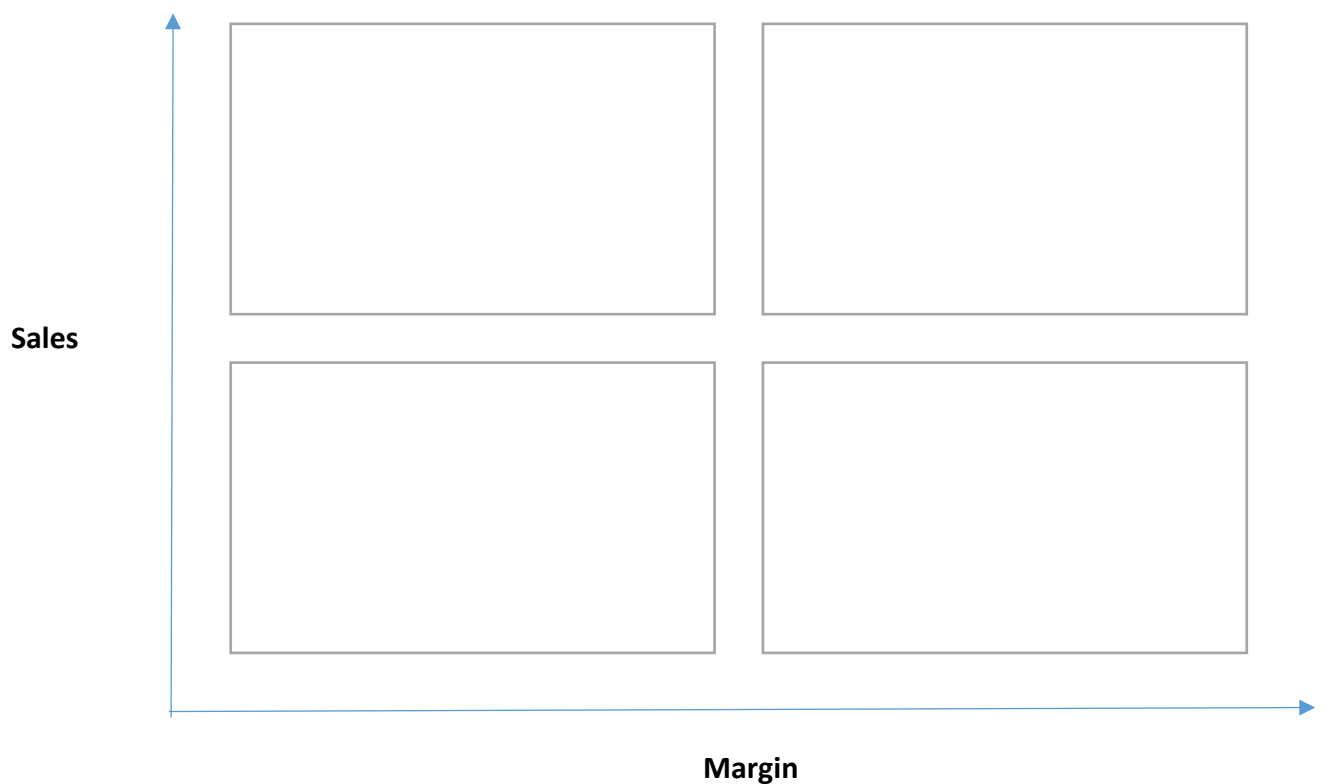
I. Search Engine Optimization (SEO)

- Process of affecting the visibility of a website or a webpage in a search engine's unpaid results.

Inventory Management

Inventory		
Bad outcomes	Eat up working capital & erode profits	Lost sales or lost customers
Products	Subject to damage, depreciation & obsolescence	Expensive drugs

Inventory Classification



Pricing Strategy

Elasticity	Elastic	Inelastic
Effect of price change on demand		
Product type		
Examples		

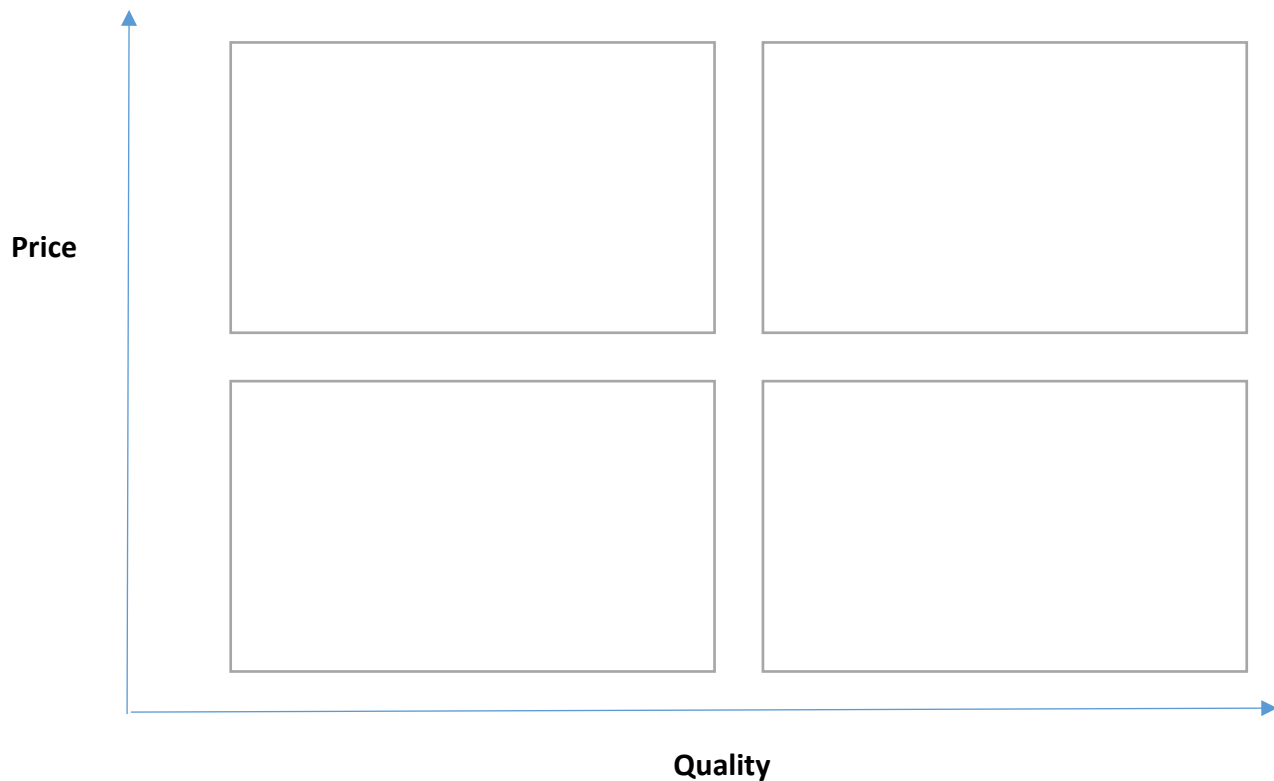
Factors affecting elasticity

- i. Necessity or luxury?
- ii. Substitutes?
- iii. Complementary products?

Recap!

Stockturn Formula:

Average number of days stock held formula:



Benchmarking

- Process of comparison of performance against similar-sized businesses in your industry
 - Gives essential information about how you can improve your business
 - Korda Mentha Report, IBIS World
- i. See – where you can reduce costs & improve efficiency
 - ii. Assess the productivity of the business – compared to how many employees you have
 - iii. Identify opportunities for improvement, new ideas & innovative practices
 - iv. Highlight opportunities for making the business more competitive
 - v. Forecast the impact of any changes & see how to prepare for growth

4. Leadership

Genuine Leadership - Rost

1. Multi-directional
2. Usually >1 leaders, always >1 followers
3. Substantial not superficial change together

Hierarchy	Interactive, charismatic
Routine & monotonous	Creative, visionary, empowering & passionate
One-way	Relational, collaborative, distributive

Change Drivers for Paradigm Shift

1. Tariff protection
2. Global competition
3. Rate of technological innovation

The 3 Big Questions

1. Are leaders born or made?
2. What makes an effective leader?
3. What's the difference between leadership & management?

Question 1: Are Leaders Born or Made?

30%	70%

*Bruce Avolio – longitudinal research on identical twins in Sweden

Question 2: Effective Leaders

1. _____
2. _____
3. _____
4. _____
5. _____

Interpersonal	Cognitive	Administrative

Question 3: Differences

	Managers	Leader
Focus		Big picture & people
Outcomes		Useful changes
Work		Set directions
Strength		Innovate
Range of View		
Status quo		

The Leadership Agenda

1. Create an agenda
2. Develop a _____ to achieve that agenda
3. _____ the agenda

Knowledge Management

_____ : Important corporate knowledge in employee's head

Learning Organisations & Teams

- Manage knowledge effectively
- Important component : TEAMS
- Corporate culture : fosters knowledge
 - i. _____
 - ii. _____
 - iii. _____

Employee Commitment

1. _____
2. _____
3. _____
4. _____
5. _____

Recruitment & Selection

1. Identify a _____
2. _____ the position
3. Determine the most effective _____ to acquire a pool of candidates
4. _____ recruitment activity
5. _____ the recruitment activity
6. Establish a _____ & work out the _____
7. _____ applications
8. _____ candidates
9. _____ the short-listed candidates & _____
10. The interview panel _____ the successful candidate
11. Make a _____, discuss the _____ of employment +

12. Make a _____ to the candidate
13. _____ the unsuccessful candidates & make
_____ available to them
14. Arrange a _____ with the successful candidate & prepare the

The Induction Process

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Importance of the Induction Process

- Feels part of the team
- Learns about the organisation & corporate culture
- Gains confidence

7. _____

8. _____

Staff Training

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

Employee Turnover Costs

1. _____

2. _____

3. _____

Impacts of Employee Turnover

1. _____

2. _____

3. _____

4. _____

5. _____

Reducing Employee Turnover

1. _____

2. _____

Negative Effects of Workplace Conflicts

1. _____
2. _____
3. _____
4. _____

To Resolve Workplace Conflict

- Work together to find a solution
- Meet again in the future
- Mediation

Performance Management

Improving Staff Satisfaction

1. _____
2. _____
3. _____
4. _____

The Performance Appraisal – Formal

- Formal one-to-one meeting between the manager & the employee
- Takes about _____ hours
- Documentation:
 - One copy to employee for their records
 - File electronic & hard copy preferably off premises

Lock the drawer with staff files & keep the keys away from employees.

Employee	Manager
<ol style="list-style-type: none">1. Opportunity to speak privately, uninterrupted with the manager2. Opportunity for performance evaluation3. Opportunity for to discuss about career path, seek the manager's advice, discuss future training opportunities	<ol style="list-style-type: none">1. Opportunity to discuss in a private, uninterrupted meeting what the employee has achieved, what they have done well & areas for potential improvement2. To hear what the employee has to say about their job – can gauge level of morale & job satisfaction3. Identify potential new areas for development for the employee

Provides documentation of any training they have completed since the last appraisal & a completed document where they have the opportunity to self-reflect on what they have achieved and what they would like to achieve in the future	<p>Ensure that the meeting is not interrupted by rostering staff cover for this time appropriately</p> <p>Ensure that all documentation is provided to employee to allow them to complete prior to the meeting with time for the manager to read beforehand</p>
---	---

Tips

1. _____
2. _____
3. _____
4. _____
- _____
5. _____
6. _____

Recognising the Poor Performer

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Managing the Poor Performer – RAPEST DDD

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Correcting Performance Shortfall

S = Specific

M = Measurable

A = Achievable

R = Realistic

T = _____

E = _____

R = _____

Seeking help from Professional

Bodies

1. _____
2. _____
3. _____
- _____

7. _____
8. _____
9. _____
10. _____

Motivational Model

Motivators	Demotivators
Improve performance	Reduce performance

A. Building Meaningful Work Relationships

1. "Thank you" note or "Job Well Done" memo
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

B. Lifting Staff Morale – The Power of Praise

Do's	Don'ts

C. Motivate Others

1. "Open letter"
2. _____
3. _____
4. _____
5. _____
6. _____

General Tips for Effective Staff Management

Do's	Don'ts