



SUCCESS

Are
THE Best^{OF} Times
Still *Ahead?*

You have a choice—relive the glory days or create new ones

by Rick Coackley and Kha Le

You take care of your pharmacy and it takes care of you ... or does it?

When challenges hit the fan, as they do almost every day of a pharmacy owner's life, what do you take care of before anything or anyone else? Like practically every pharmacy owner, you take care of your pharmacy first. But, when are times not challenging? And, when will your pharmacy start taking care of you?

We propose that if you do not start with the end in mind, and keep that end in mind throughout your life in pharmacy, your glory days could already be behind you. So, what end do you have in mind?

While the details differ for each of us, we all started our businesses with the goal of achieving our personal definition of the good life: one filled with independence, affluence, purpose, and fulfillment. Perhaps you spent a lot of time determining and clarifying your goals and vision for your life. Or perhaps you simply went on instinct, jumped into your businesses and trusted that if you do your best, your pharmacy will, in time and certainly in the end, take care of you.

Either way, when the demands of your pharmacy consume all of your

attention, time, and energy, it is easy to forget about your personal goals. It is easy to leave the realization of your future to chance. But, what if you could take care of your pharmacy in a way that ensured it could take the best possible care of you? And, what if you could take care of yourself while doing so?

We believe you can have it all. Here's how.

PHARMACY PEAK PERFORMANCE

What if your business could give you the freedom to enjoy glory days, today, tomorrow, and for your entire life? The good news is it can; we recommend you start by focusing on three areas: leadership development, financial acumen, and workflow optimization.

Leadership Development

What needs to be in place for you to be able to step out from behind the counter? The first step is to realize that while you may have started as a pharmacist, you are now a Business Owner. And, just like the Bruce Springsteen song "Glory Days," you don't want to just be talking about your past. Developing your business knowledge and skills ensures that opportunity doesn't just "pass you by." We believe the single greatest advantage independent community pharmacies have over

large corporate pharmacies is people and service, not products.

As the business leader—the key person on your team of people—you need to take a look at yourself. Are you thinking, acting, dressing and communicating as if the glory days have gone by? Or are you innovating, managing, and operating to achieve peak performance? Are you able to effectively perform as an entrepreneur with limited time, financial resources, and people, without sacrificing your personal dreams and retirement goals?

To answer these questions, start by taking a look at yourself and your business: define and measure the skills and core competencies every team member, including yourself, must master. If you haven't yet learned to think like a world-class business leader, you're going to spend most of your time chasing those that do.

Then, if there are areas where you, your pharmacy and your people are not at peak performance, seek professional expert advisors to help you enhance the quality of leadership. For example, if you fear the competition, go outside of your comfort zone to create innovation and realize fresh opportunities. Or, if you find your organization or you are always looking

*"...Well time slips away
And leaves you with nothing mister but
Boring stories of glory days
Yeah they'll pass you by
Glory days, glory days."*

Glory Days, Bruce Springsteen

back (at the "glory days"), set some goals and create some intrinsic and extrinsic (\$\$) incentives to change how you and your people look at and utilize your tools, processes, and organizational structures.

Finally, start serving your team and practicing the core competencies, developing your weaknesses by giving up/delegating your favorite work and only taking on the toughest problems. If you don't change your leadership operating model, your first indicator will be that you are looking at others and doing the "me too" strategy ... this doesn't enhance your quality of leadership—it is only chasing the glory days.

Financial Acumen

To ensure your pharmacy can take the best possible care of you, transform operations. Start by figuring out how to measure, analyze and control cost of goods sold (COGS), team salaries and expenses, and facility costs. If you do not do this, your pharmacy will not achieve peak performance.

Let's take a closer look at COGS: the cost of buying and acquiring the goods you sell. For retailers especially, the cost of the goods sold is typically the largest expense, and thus is an absolutely critical business factor. Our work often focuses on unlocking undiscovered savings in COGS and showing pharmacy owners how these savings can immediately benefit the operations. Measuring COGS helps you determine the prices to charge for products and the volume of business you need to maintain in order to operate profitably. Then, compare your performance with the best in your market using the *NCPA Digest*, sponsored by Cardinal Health. Knowing if you are at peak performance, lagging, or just average enables you to decide where and how to take action.

However, just measuring it isn't enough. Analyzing COGS is an important success factor because it reveals opportunities to reduce costs and improve operations. Historically, independent retail pharmacies focus on inventory turns and unit price. While these are solid ways to analyze the cost of operations and acquiring goods, developing a more advanced inventory analysis methodology will get your organization looking at how COGS will impact your future. For independent community pharmacies, analyzing COGS enables you to put in place an inventory quality ratio (IQR) process and better controls to improve inventory performance. Analyzing inventory to track and know your own IQR is a great opportunity to

quickly identify good, bad, and excess inventories, better manage financial reserves, avoid future write-offs, reduce inventory investment, increase turns, and improve cash flow.

Workflow Optimization

Peak performance comes from sustaining continuous improvement thinking and innovation within the pharmacy.

Think about it—we greet our patients by name. We know more about them than just their prescription and customer number. We take the time to build the relationship. We care about their wellness and take the time to serve their distinct needs. However, too often when a customer walks into an independent community pharmacy, they see many barriers between themselves and the pharmacist. The pharmacy is way in the back and there are shelves of product between them and the pharmacist and pharmacy. Counters are high and blocking interactions and consultations. We know the studies show walking by shelves filled with product allows customers to browse, but we also know the same studies show higher interaction and "suggestive selling" techniques sell even more. We also understand there are HIPAA regulations, but studies show developing a relationship helps build repeatable good habits and reform bad ones.

Earlier we asked if you are dressing as though the glory days have gone by. If you wondered why we mentioned "dressing," it's because one of the greatest attributes and advantages independent community pharmacies possess is excellent customer service and connection. Pharmacists are commonly listed as one of the top five most trustworthy and creditable professions. In other words, patients/customers perceive you as professionals and dependable. Just because the product is sterile, it doesn't mean your interaction with the patient has to be.





Another example of not thinking innovatively is to take a look behind the counter and seeing the old production lines of the past. Technology and lean process methodologies have changed how pharmacies can organize their workflow. If the workflow optimizes your productivity, you will have time to do consultations and the medication therapy management without stress. Developing and optimizing workflows will also provide an objective and proven way to optimize yours. This allows you to not only lower costs for your business (such as less staff time to fill the same number of prescriptions) but to also increase the capacity of your operations (such as not working overtime to achieve the same volume).

Finally, the more optimized your production workflow is, the more you are able to get you and your staff out from behind the counter. Your staff will be able to work not only in your business, but help you work on it. They can join with you in taking on the challenge of improving the business, not just filling prescriptions. By pursuing peak performance in these three areas, you will be better able to work on improv-

ing your business, instead of just working for it. You will be better able to pursue your dreams and create some new "glory days."

Now, what will you do with all your extra time and money?

PERSONAL PEAK PERFORMANCE **Beginning with the End in Mind**

The most common missing piece we uncover when working with pharmacy owners is they have not thought about what it will take to sustain their lifestyle when they leave the pharmacy. It is understandable. When you are swamped by the daily details of running a profitable pharmacy, thinking about life after pharmacy never finds its way onto your important or urgent To Do list.

There is a plenty of irony in this situation. When you fail to pursue clear, logical, and meaningful personal goals, when you only have time and energy to work for your pharmacy, not only do you risk personal disappointment, your pharmacy also becomes vulnerable to all sorts of risks. By dedicating all of your time and energy to your business, you actually risk harming it.

Think about it: years of working for your business with no end in sight and no time for anything that is personally important and meaningful will lead to a bitter relationship between you and your business. Also, if all of your financial eggs are in a single basket—your pharmacy—how willing will you be to risk trying something new?

Now, consider the change in your attitude and the relief, excitement and joy you would feel if you are able to set and achieve clearly defined financial goals outside of your pharmacy. It may seem counter-intuitive, but the more you work to achieve those things that are most important to you and the more financially diversified you are, the more likely you will be motivated to ensure your pharmacy is at the peak of performance.

LEVERAGING YOUR MONEY

Money flows through your life like cash flows through your pharmacy. The cash flow in your pharmacy is used to build the business ...the money flowing through your life is used to finance the achievement of your goals and dreams.

When you're devoting most of your time and energy to running your pharmacy, you likely feel you have no time to pay much attention to your personal finances. However, making time for your personal finances is one of the best business investments you can make.

To leverage your money, you need a clearly defined system for organizing your personal financial life. This includes:

- Clearly defining your financial goals outside of the pharmacy
- Developing an asset strategy to achieve those goals
- Establishing benchmarks and targets for measuring your progress

For example, let's say the annual revenue for your pharmacy exceeds

forecast. What are you going to do with the money? Reinvest it into your pharmacy or pay yourself? Some areas to look at include:

- Growth plans for the pharmacy (and alternate funding sources)
- Your short and long-term personal goals
- Your personal balance sheet and cash flow. Are you in debt while your business is flourishing? Do your retirement savings need shoring up?
- Where will the money earn more—through personal investments or through appreciation/growth of your business?

As a business owner, there are a number of financial solutions available to you that are not available to paid employees. From splitting income with family members to setting your salary to maximize your pension contributions, to creating a separate business entity for tax purposes, there are many ways for you to leverage your money and take advantage of all your opportunities.

OPTIMIZING OPPORTUNITIES

Choosing the right path to independence is a highly personal and often complex endeavor. Most pharmacy owners rely on the guidance of an advisor they trust when it comes to developing, implementing, monitoring and adjusting their plan. While exploring your opportunities with an advisor or on your own, be sure to include:

- *Investment strategy.* Based on your personal needs and goals and influenced by your personal ability to accept risk, to be most effective, your investment strategy must be clearly written, carefully implemented, constantly monitored and periodically adjusted to accommodate your changing circumstances and success. Complete diversification is ideal and periodic rebalancing

of assets is a must.

- *The business structure that is best for you.* The legal structure you choose for your business affects two key areas—compensation and taxation. The structure of your business should be tax-effective while providing the cash flow you need to cover your personal expenses and investment goals.
- *Minimizing your tax-expense.* Income tax is likely your largest single personal expense. So identifying ways to reduce personal and business taxes is a priority.
- *Protecting you and your business.* Your skills and expertise are essential to the success of your pharmacy. The success of your pharmacy is essential to the well-being of you and your family. A comprehensive insurance strategy provides protection against unexpected events.
- *Estate planning.* Estate planning can be complex when the estate includes your pharmacy. That's why your estate plan and your business succession plan need to be carefully coordinated. Your estate plan should ensure your personal and business assets go to your intended beneficiaries in a timely, orderly and tax-efficient way. It also should ensure your assets will be managed appropriately and you will receive proper care if you are unable to manage your own affairs.
- *Succession planning.* As you near retirement age, you may want to take a less active role in your pharmacy. That's why you need a business succession plan. Succession planning manages the transfer of pharmacy ownership. It involves two fundamental tasks:
 - o Identifying a successor: will one or more of your children want to take over your pharmacy, are you grooming a junior pharmacist to take your place, or do you expect to sell to an unrelated third party?

- o Structuring the sale to ensure the transaction is tax-efficient and to maximize your retirement cash flow.

Remember, money flows through your life like cash flows through your pharmacy. It is your money to control and monitor. Do not waste it. Be accountable for your money and understand where it is going and why. Your best glory days will lie ahead when you realize what you do outside of your pharmacy depends on what you do inside your pharmacy, and vice versa. ■

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