Management competence development for professional service SMEs: the case of community pharmacy

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Introduction

The last two decades have seen a substantial growth in the number and range of small to medium sized enterprises (SMEs) in the UK (Office for National Statistics, 1997). The majority of new enterprises are currently in the services sector (Barclays Bank plc, 1999). At the same time socio-economic change, including rising consumer expectations, has resulted in an increasingly competitive commercial environment. Thus, the managerial competence of the owner-manager or entrepreneur is an increasingly crucial determinant of the long term survival and success potential of many SMEs (PROMEESE, 1995).

Managerial competence is of particular significance for the owner-managers of professional service SMEs. For the entrepreneurially adept, there are opportunities to thrive provided they can practise commercial management successfully thereby achieving competitive advantage. This necessitates reconciling the tension between their professional predilections, characterised by an altruistic desire to provide the highest quality service, and commercial pressures arising from the demands of achieving sufficient economy, effectiveness and efficiency to survive as a profitable enterprise. Only in this way can they hope to retain their independence.

As a result of acquisitions that currently dominate the sector, many previously self-employed professionals now find themselves salaried employees of SMEs or larger enterprises. Consequently, managers, who are often members of the core profession, face the challenge of managing service professionals competently as well as dealing successfully with the tension between professional and commercial demands. Further challenges arise from the legislative changes that have resulted in increased commercial freedoms.

Responding successfully to such challenges depends greatly upon professional and managerial expertise, especially of those who own and/or manage the enterprise. Professional expertise is generally developed through formally recognised education and training programmes, often combined with relevant practical experience, typically accredited as a prerequisite to membership of the relevant professional body. Managerial or commercial expertise rarely figures in these...
programmes. Such expertise is generally developed through independent formal training programmes and/or informal processes, which may or may not be accredited.

As yet, there is no indisputable proof of a causal relationship between managerial training and SME performance (Storey, 1994). Take-up rates for formal training by SMEs are extremely poor, despite widespread interest in improving managerial expertise (Marlow, 1998). There is much current debate concerning the effectiveness of formal training in achieving this objective (see, for example, Wong et al., 1997; Storey and Westhead, 1997). Consequently, the question of the most appropriate approach to enhancing management expertise remains unanswered. However, the basic contention that improving management competence strengthens the probability of profitability and growth for professional service SMEs remains valid.

This contention serves as a starting point for an exploration of the nature of management competence and its enhancement in professional service SMEs using community pharmacies as the empirical frame of reference. Their core business is dispensing National Health Service (NHS) prescriptions, issued by General Practitioners (GPs), for drugs and appliances. To fulfil this function, owners enter into a contract with the local health authority. They must also ensure that dispensing is supervised by professionally qualified pharmacists registered with the Royal Pharmaceutical Society of Great Britain (RPSGB). Community pharmacists also advise GPs on their prescribing practices and undertake diagnostic testing, health promotion, and surveillance, including the detection of adverse drug reactions.

Although the percentage of community pharmacies operated by SMEs in England has fallen over the past decade, mainly as a result of take-overs, approximately 60 per cent are still run by SMEs with between one and five outlets (Ottewill and Magirr, 1999). According to the annual retail inquiry survey, community pharmacy SMEs with between one and nine outlets in the UK account for approximately 60 per cent of the total turnover on NHS dispensing. This, in turn, represents approximately 65 per cent of their overall turnover (Office for National Statistics, 1998). The remaining 35 per cent covers sales of commercial products, such as over-the-counter medicines, cosmetics and toiletries. The ending of resale price maintenance on many of these items and the growing number of alternative sources has made this an increasingly competitive area.

While “… community pharmacists have long coupled a business role with that of health professional …” (Sanghavi, 1996), it is only in recent years, with rapid changes in retailing, that this has become more overt. As a result there is now a real need for community pharmacists exercising managerial responsibilities within SMEs to overcome the traditional neglect of management development in their formal education and complement their professional expertise with the acquisition of management competences.

The sections which follow:

- outline the research methodology used to gather the primary data;
- identify core management competences required by community pharmacists; and
- highlight critical influences in designing training and development strategies to help them acquire these competences.

Although the findings reported here relate primarily to community pharmacy, by extension, they are also of significance for professional service SMEs in general.

### Research methodology

Given the inductive nature of the research, a qualitative methodology was employed. This entailed seeking the opinions of practising pharmacists both nationally and locally, by means of two Internet sites (Royal Pharmaceutical Society of Great Britain, 1998; Sheffield Local Pharmaceutical Committee, 1998) and six semi-structured, in-depth interviews, each lasting approximately 60 minutes. The interviewees had been qualified pharmacists for at least ten years and were, at the time of the interview, engaged in running a business, usually as a director of an SME. In addition, five had experience of working as employee-managers for SMEs, as well as in non-community settings (e.g. hospitals). Thus, collectively the interviewees had a wealth of experience. One
of the authors is also a practising superintendent pharmacist in an SME.

The areas covered in the interviews were:
• the attributes that community pharmacists need to survive and prosper in the changing commercial environment;
• the relationship between the professional competences of pharmacists and the management competences required in community settings and ways of categorising the latter;
• means of helping community pharmacists develop these competences; and
• likely future developments.

The aim of the data collection was to provide as rich a set of descriptions as possible. The interviews were transcribed in real time by the interviewer. The transcripts were then reduced and analysed by adopting principles of data codification and clustering (Miles and Huberman, 1994). The principal findings, as reflected in the clusters, have been used to enrich the analysis which follows.

Management competences

While community pharmacy is a highly professionalised service, provided by well qualified practitioners, comments from interviewees suggest that something of importance is missing. They tended to agree with a point made 35 years ago by Tomski, the founder of The Institute of Pharmacy Management International Ltd, “... members of every profession, including pharmacy, need to adapt to become excellent managers if they ... [are] to succeed in becoming excellent professionals” (Institute of Pharmacy Management International, 1998).

Analysis of the interview transcripts, supplemented by secondary sources, shows that, for community pharmacists, “excellent” management depends upon expertise at two broad levels:
1. operational; and
2. strategic.

The first embraces competences that arise from the legal and ethical frameworks governing the provision of pharmaceutical services in a business setting and ensure the professional and legal integrity of the enterprise. Such competences loomed large in the mindset of the interviewees and reflected their desire to be seen as health care professionals thereby overcoming the common perception that they are simply “shopkeepers”.

A key source of these operational competences is the code of ethics for pharmacists (see Figure 1), which offers very clear guidance on the responsibilities of superintendent pharmacists. They have an important managerial role in addition to their professional pharmaceutical duties and such guidance can prove invaluable should disputes on professional matters arise with directors who are not pharmacists.

The code infers a number of key operational competences, which presume a degree of underpinning professional knowledge and management expertise, e.g. the ability to:
• apply the legal rules and professional standards relating to pharmacy practice;
• secure the provision of an efficient and high quality service;
• purchase pharmaceutical products from reputable suppliers;
• employ good practice with respect to personnel procedures;
• maintain standards with respect to health and safety at work; and
• ensure adequate communications between pharmacists and customers.

Despite the significance of operational competences, interviewees acknowledged that their possession was only a necessary, not a sufficient, condition for the commercial viability of a community pharmacy. In their view, the turbulent commercial environment meant that they had to be complemented at the strategic level by competences which would secure the enterprise’s competitive position.

They also confirmed the need for managers to avoid becoming too closely involved in day-to-day clinical activities, with insufficient attention being given to some of the crucial strategic functions. Failure to resolve what is classic dilemma for professional service providers in SMEs, given the proximity of managers to front-line personnel (Gibb, 1996), can result in, at best, sub-optimal performance and, at worst, the collapse of the enterprise.

Interviewees agreed with Jennings and Beaver’s (1996) observation that strategic management in SMEs is essentially an
adaptive process concerned with manipulating a limited amount of resources to gain the maximum immediate and short term competitive advantage. In other words, efforts are concentrated not so much on predicting but more on controlling the environment, adapting as quickly as possible to changing demands and devising suitable tactics for mitigating the consequences of any changes which occur.

The entrepreneurial SME extends this principle by proactively creating opportunities for itself. For community pharmacists these relate not only to the retail, but also to the professional and political environments, with strategic initiatives being very much influenced by the highly personalised preferences of the firm’s owner-manager.

Attention must still be given to generic activities and associated management skills, at both operational and strategic level. These have been identified by Jennings and Beaver (1996) and in Figure 2 their model has been adapted to incorporate the interview findings. The operating circumstances of community pharmacy SMEs demand a unique blend of management skills and related competences, accentuating some but de-emphasising others, whilst inherent dynamism implies flexibility. This can be illustrated from comments made during the interviews concerning the external environment. Here entrepreneurially-minded community pharmacists attach considerable importance to:

- responding appropriately to developments affecting their customer base;
- making decisions concerning their financial buoyancy; and
- assessing the implications of changes in the political environment.

With respect to their customer base, as Sanghavi (1996) observes, “... as business people, community pharmacist(s) ... have to be sensitive to market trends and swift to respond”. Interviewees confirmed the importance of being competent at the operational level, in techniques of customer care, advertising and promotion and, at the strategic level, in competitor analysis and the securing of competitive advantage for the services offered. Efficient organisation together with strong interpersonal skills are required to present the service in an appealing manner to potential customers. A strategy of supplementing income through product range diversification, into fields related to health care (e.g. first aid supplies and equipment) and unrelated fields (e.g. property development), brings with it demands for portfolio management skills, including
Trends affecting the socio-demographic profile of customers, such as the ageing of the population and the increasing incidence of chronic illness, increase the demand for services provided by community pharmacies. However, interviewees recognised that to take advantage, they must be more creative than their competitors (e.g. supermarkets) in developing innovative dispensing strategies, such as offering a home delivery service, and being willing to spend time dealing with customers on a personal basis.

With respect to financial viability, interviewees pointed out that many community pharmacy SMEs operate with narrow profit margins. This is because a great deal of their working capital is tied up in drugs which they need to stock to comply with the regulation that customers must be supplied with “reasonable promptness”. Thus, negotiating skills to secure the best terms from drug manufacturers and/or wholesalers, and managing cash flows, are a key requirement. Setting realistic financial objectives and taking a balanced approach to financial risk is needed. Here, the ability to utilise information technology, for the purposes of monitoring and control, is becoming increasingly important.

The political environment, interpreted broadly, confronts community pharmacists with some of their most demanding challenges. This is because the viability of community pharmacy SMEs depends, to some extent, on relationships with other health care professionals practising in community settings (e.g. GPs) and upon support provided by public policy.
Interviewees highlighted the need to be competent in managing the interface with other professionals. This is especially important with respect to maintaining, and ideally extending, the boundary within which community pharmacists are recognised as having the right to apply their expertise, including the provision of dispensing advice to GPs and adopting a proactive stance with respect to formulating and implementing public policy. Here, negotiation and interpersonal skills are of particular importance whilst formal communication skills will assist in ensuring that the pharmacists’ views are noted.

The interview findings confirmed that community pharmacists engaged in the management of SMEs must be adept at utilising generic skills, such as problem solving and information processing, in dealing with both professional and managerial issues. Maintaining a robust internal operating environment, whilst implementing planned developments and change in the face of external pressure, helps to engender the commitment of staff, which is, in turn, reflected in the quality of service provided to consumers.

Training and development

When discussing how to enhance their management competence, interviewees highlighted the following issues:

- the need to avoid diluting professional competence and standing;
- the traditional separation of education for professional competence from training and development for management competence;
- the tension between formal and informal approaches to management development;
- the scarcity of resources for management competence development; and
- the dearth of leadership, at national level, for management development.

In advocating the acquisition of management competences, interviewees strongly indicated that this should not be at the expense of diluting professional skills and standing. One of the most pronounced clusters was that community pharmacists see themselves primarily as health care providers and would not want to do anything which might undermine their credibility to perform such a role, in the eyes of other professional groups, particularly GPs, and the public at large. Yet, as Britten (1994) points out, there remains a very real “… conflict between community pharmacists’ professional function and their commercial interests …” which it could be argued “… weakens their claim to professional status …”. Thus, in designing a training and development strategy the challenge is to secure an appropriate balance between what one interviewee described as “professional and commercial viability”.

Emphasising the dichotomy between education for professional competence and training for management competence can result in under-valuing the latter. The qualified pharmacist may feel that their professional competence is sufficient for a successful career and management competences can offer little enhancement. While large enterprises may offer “high pay, no paperwork” posts for “vocationally minded pharmacists”, who wish to concentrate on clinical practice, in SMEs there must be a close integration between professional strategy to secure quality services and commercial strategy to ensure the prosperity of the business. Here an holistic, problem centred and integrated approach, giving attention to both professional and management competence, is needed. This is beginning to be recognised in community pharmacy, as Bates et al. (1994) point out:

Today’s graduates will … have to deal with many fundamental changes in the profession and develop their existing knowledge, acquire new skills and demonstrate competence in a wide range of fields to meet the changing environment. Graduates will thus need to adapt; to self-direct their continuing learning, to develop and participate in change … It is at undergraduate level that educational processes can change behaviour to produce professionals with the skills and motivation for problem solving and life-long learning.

There is also an emergent base upon which to build since in certain institutions, and for particular aspects of a pharmacist’s professional education and training, more student centred approaches are currently being developed. For example, the University of London’s School of Pharmacy has been experimenting with a competency based system of learning for the first and second years of its pharmacy practice course (Bates et al., 1994). Elsewhere, attention is given to
the interpersonal competences that community pharmacists require to be able to communicate more effectively with patients (Hargie and Morrow, 1994). As interviewees pointed out, professional competences and personal attributes, such as the non-judgemental attitudes needed when advising patients and the meticulousness associated with the scientific method, can inform other spheres of competence development, including management. Opportunities also exist, during the pharmacists’ compulsory pre-registration experiential year, to enhance their appreciation of the value of management competences for career development in SMEs.

Once in practice, a critical issue is reconciling the tension identified by interviewees between management development through formal, structured, qualification-based approaches and through informal, unstructured processes. While qualifications, such as a Master of Business Administration or an NVQ in Management, were seen as attractive for career development purposes by some, others felt that less formal and typically non-accredited processes, such as networking and experiential activities, had a greater impact on competence development. Most expressed the opinion that, although seldom recognised at the time, a great deal of learning and development takes place, or is crystallised, through networking. According to Dragoi (1997) interaction with others, both in a workplace setting and beyond the normal working environment, is the most appropriate method of developing general transferable interpersonal skills such as communication and active listening.

One interviewee went further and spoke in terms of creating “a business school environment” within his organisation. Here, Kolb’s well known experiential learning cycle (see, for example, Kolb, 1983; Hopkins, 1993; Holman et al., 1997) could be used as a framework. Commercial practice offers the opportunity for active experimentation with newly acquired concepts. These may be developed through reflective observation and/or abstract conceptualisation stimulated by open and distance learning (ODL) or tutor-led classes or informal networking. Successful experimentation then allows for concrete experience to develop management competence at the strategic level.

Some interviewees suggested that the concept of continuing professional development (CPD) could be used to inject a degree of formality into an otherwise informal process. Certainly, problem-centred approaches as an integral element of CPD create good opportunities for learning whilst making a significant contribution to the enterprise. They also provide a “safety net” of support and guidance from mentors and training professionals. In community pharmacy there is already a well-developed CPD system for updating the clinical expertise of pharmacists, which could provide an appropriate basis for the development of management competences. Other interviewees, however, were more sceptical about the potential of CPD in this field.

Without exception, interviewees highlighted the lack of resources, in particular time, for management competence development as a critical issue. For community pharmacy, this problem is exacerbated by the requirement that a pharmacist be on duty whenever dispensing is taking place. Thus, pharmacists running their own business will necessarily need cover and support in what would usually be regarded as unsocial hours. Even when this is available the pharmacist will still be attempting to undertake training in addition to completing a normal workload.

In these circumstances flexible approaches, such as ODL (see, for example, Warr and Bunce, 1995; Murphy, 1995), were felt to offer the best way forward. These can be focused on the precise needs of, and issues faced by, community pharmacies. However, as Jennings and Ottewill (1996) point out, great care needs to be taken to ensure that ODL is properly integrated with more traditional modes of learning to maximise learning opportunities and to ensure that the requisite learning outcomes are covered. Interpersonal and communication skills necessarily require contact with tutors, instructors and other learners in an interactive network and cannot be developed satisfactorily using ODL alone.

Initiatives of this kind are most likely to be effective in enterprises where there is already a culture of training and its value is recognised. This is less likely in smaller enterprises where resources are scarce and accessibility, cost and quality of learning resources are significant factors in determining the extent to
which management competence development occurs. There is some evidence provided by Handy (1987) in his international review of the management education that:

Small companies are different. In no country do they take the same long term view of management development, (as larger firms) nor are they prepared to spend time and money on any form of training which does not have an almost immediate pay-off.

The factors which influence the decision to engage in training and development are complex and larger firms seem more likely to take up the services currently available (Marlow, 1998). Cost remains an important factor for those SMEs which do not possess “slack resources” (i.e. individual and collective spare capacity which can readily be made available to cope with unexpected peaks in demand). However, even if financial or other support were available, as Wood (1992) has indicated SME owner-managers experience difficulties in selecting appropriate training in a market which appears to be over-supplied with providers. Here some form of quality assurance via a professional association would help in identifying suitable providers.

Indeed, interviewees were of the opinion that encouragement from an appropriate national body is essential if management competence development is to receive the attention it deserves. They indicated that this could best be fulfilled by a body such as the National Pharmaceutical Association, affectionately known as “the voice of community pharmacy”, since the RPSGB is perceived as being primarily concerned with the development of professional competences.

Conclusion

From the viewpoint of the long term survival and growth of professional service SMEs, a critical aspect is the management competence of the owner-manager and senior personnel. Thus, the delineation and acquisition of management competences, both operational and strategic, should be a priority.

Traditionally, management competences have not figured in the education and training of community pharmacists and other professional service providers. Consequently, they are often ill-equipped to cope with the rigours of a competitive environment, by anticipating and responding appropriately to commercial threats and opportunities. When faced with difficulties, there is a temptation to seek solace in the familiar, the professional aspects of the enterprise, which could threaten its survival.

Nonetheless, it has to be recognised that equipping professional service providers with management competences cannot be at the expense of their professional expertise. Clearly, without this the very rationale for the enterprise is compromised. The challenge is to find a practical means of balancing the two.

Assuming that the majority of professions now have graduate entry, an appropriate way forward is to lay secure foundations at the undergraduate level. This involves ensuring that aspiring professionals are not only equipped with the competences they need to practise their chosen profession but also exposed to activities, such as risk taking and negotiating, which underlie management competence. The latter can then be enhanced at later stages of their careers. Professional and management competences should be seen as mutually reinforcing rather than mutually exclusive since the establishment and operation of a successful professional service SME depends upon the effective application of both.

To enhance the credibility of such a strategy, it is necessary to look for support from the professional associations. Unless they are convinced of the need to include management competences in the mainstream education of professionals, there seems little chance of securing a critical mass of managerially-minded personnel. Positive action is needed to secure the future for many professional service SMEs.

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