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**Strategic value management
and the effectiveness of pharmacy business
models**

Summary of PhD. dissertation

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The research objectives in this doctoral dissertation were focused on recognizing the strategic value, considering how important it is to understand its essence, what it consists of and how its management may affect the efficiency of a pharmacy company. The main objective was to present, in the theoretical, cognitive and practical aspects, how strategic value management affects the effectiveness of pharmacy business models. Achieving this goal required the implementation of partial goals consisting in: collecting, organizing and expanding scientific achievements in the area of strategic value in pharmacy business models, defining the concept of strategic value in pharmacy business models and developing assumptions for effective business models on the pharmaceutical market. In terms of methodological objectives, a strategic value management methodology was developed as part of the pharmacy business models. The practical result of the dissertation was to explain to entrepreneurs the need to adjust pharmacies' business models to legal regulations, market expectations and high efficiency, through the proprietary methodology of adjusting pharmacies' business models.

The pharmaceutical market, in addition to the uncertainty and variability faced by all markets, is also struggling with legal regulations that restrict the freedom of entrepreneurs to act. It is worth emphasizing that this is not a market for ordinary, typical services, but services that at the end of the value chain have an impact on the health of customers, who are defined by law as patients. The pharmaceutical market is also characterized by high growth dynamics, estimated year on year at a level close to 10%.

As the literature studies have shown, the pharmaceutical market has not been studied yet from the perspective of pharmacy chains and their business models. The dependencies between the strategic value and the business model of pharmacies or the pharmaceutical market were not verified. The dissertation was to fill the cognitive gap when it comes to understanding the business models of pharmacies, defining the concept of strategic value in the pharmaceutical market and its impact on the achieved efficiency. The author of the presented doctoral dissertation expresses the view that solving such a scientific problem may contribute to a broader understanding of the place and role of strategic value, configuration of the business model and assessment of the effectiveness of the functioning of pharmacies.

Taking into consideration all the above-mentioned objectives, based on the defined entities interested in the functioning of pharmacy enterprises, the following research hypotheses were formulated in the dissertation:

H1 The system of purchasing the pharmacy chain (medications/supplements) affects the ability of pharmacies in the network to maintain attractive market prices.

H2 The cooperation within the pharmacy chain is conducive to maintaining the availability of drugs in the chain's pharmacies.

H3 The flexibility of the mechanisms for storing medications/supplements by the pharmacy chain is conducive to the effectiveness of sales in the chain's pharmacies (pricing policy).

H4 The quality of pharmacy services affects the loyalty of its customers (quality / determinants of pharmacy choice - returns).

H5 The availability of medications in the pharmacy affects customer loyalty.

H6 The pharmacy pricing policy affects the choice of the pharmacy by customers (attractiveness of the pharmacy).

H7 The choice of the type of cooperation between the pharmacy chain and contractors affects the availability of medicines in the network's pharmacies (attractiveness of the pharmacy).

H8 The choice of the type of cooperation between a pharmacy chain and contractors affects the pricing policy of pharmacies.

H9 The cooperation of the pharmacy chain with contractors based on the principles of (partnership) relations is conducive to long-term cooperation.

To verify the hypotheses and achieve the goal, the dissertation was divided into five chapters. **The first chapter** presents the considerations on the recognition of values, evolution and changes that have occurred in defining it with the development of science and the explanation of new concepts that have appeared in it. This has been presented in a chronological order. The perception of the location of value in the business model was explained. This chapter proposes an original definition of the title strategic value and a holistic model of its perception. **The second chapter** focuses on shaping the business models of high-performance organizations. Various approaches to efficiency and its categories, as well as the necessary assumptions adopted by enterprises focused on achieving high efficiency, are demonstrated. It was pointed out that high efficiency is possible to achieve when the organizational culture is conducive to it, and additionally employees are duly motivated. 55 exemplary business models

were presented. The chapter ends with a bibliographic analysis, which was a prelude to quantitative and qualitative research as well as triangulation of research. **The third chapter** characterizes the pharmaceutical market, defines the entities operating in it, and also presents the role of pharmacies in this market and how they can be divided. The pharmacy was shown using a business model canvas. The difference between the pharmaceutical market and other markets was presented. This chapter also presents the key legal regulations affecting the functioning of pharmacies (Act of 6th September 2001 Pharmaceutical Law, Regulation of the Minister of Health of 30th September 2002 on detailed requirements that should be met by pharmacy premises, Act of 12th May 2011 on the reimbursement of medicines, foodstuffs for particular nutritional uses and medical devices, Act of 7th April 2017 amending the Pharmaceutical Law) and what changes they brought, along with their interpretation. **The fourth chapter** focuses on the strategies and business models of pharmaceutical companies and how they affect the business models of pharmacies. Manufacturers' strategies have been defined as well as the forces governing competition in the pharmaceutical sector. The strategies of pharmaceutical companies influence the choices of patients, as well as the shape of the business model of pharmacies in selected aspects. **The fifth chapter** presents the conducted research. Their results were demonstrated, and conclusions were drawn. The research hypotheses were also verified. For this purpose, in-depth, critical studies of literature in the field of economics, management, business and psychology were conducted. Research reports on the pharmaceutical market, laws regulating the pharmaceutical market, statistical materials and market data were also used.

The empirical research was quantitative and qualitative. Due to the nature of the market and the hypotheses put forward, the quantitative research was in the form of a questionnaire addressed to three different groups of respondents. The first group consisted of managers of pharmacy chains, the second group were representatives of pharmaceutical companies, and the third group were patients.

The qualitative study was a case study and interviews. The case study was conducted on the eighteen largest pharmacy chains in terms of the number of pharmacies. It included pharmacy chains which in 2019 had over 50 pharmacies in their network. In total, they included 3375 outlets, which accounted for 24% of all operating pharmacies in 2019 and generated over 25% of the sales share in the entire pharmacy market. The next stage of qualitative research were standardized interviews. The questions were unstructured.

The combination of quantitative and qualitative research on the same issues from their different perspectives was intended to reduce research bias. Thanks to the research triangulation method, the results were evaluated, highlighting what influences the achievement of efficiency by pharmacy chains. It has been confirmed that the effectiveness of the pharmacy chain is mainly influenced by the management of purchasing and storage processes in the pharmacy chain and cooperation with contractors. These processes affect the availability of products, their type and quantity in the chain's pharmacies, which is intended to meet the needs of patients. The impact of legal regulations on the functioning of pharmacies and the impact of regulations on competition opportunities were also assessed. The research has also indicated that the market is more and more networked, and patients shop mainly in chain pharmacies, even if when choosing a pharmacy where they do their shopping, they are guided by another shopping motivator, e.g. the availability of medicines. It is pharmacy chains that can afford to maintain "deep" (understood by the amount of given products in stock) and "wide" (understood by the variety of available products) pharmacy warehouses.

Thanks to the conducted research and analysis of legal regulations, various forms of running an enterprise, such as a pharmacy or a group of pharmacies, were presented using graphs. The method of creating a network with the participation of various actors on the pharmaceutical market, taking into account the institution of the Intermediary on the pharmaceutical market, was also presented. Pursuant to the Pharmaceutical Law Act, an Intermediary is an entrepreneur who acts as an intermediary in the trade in medicinal products between the manufacturer, importer and pharmaceutical wholesalers or hospitals or a clinic, as well as between the wholesaler and pharmacies or pharmacy outlets. Thanks to these results, an original model of pharmacy operation was created with a focus on strategic value management. The pharmacy chain should adjust its business model taking into account the business model canvas, manage the elements of strategic value that have been identified as elements influencing the achievement of high efficiency: professionalism of the personnel and services provided, management of warehouse processes by adjusting the assortment in pharmacies to the seasonality of products, patients' needs, availability of deficient medicines, defining transparent rules of cooperation with contractors, creating value for the patient in the physical, psychological and image-related areas, as well as by expanding its range of services with sales through an online pharmacy. It is also necessary to adapt to legal regulations.

The methodological objective was achieved by developing a proprietary methodology for strategic value management in pharmacies' business models. In accordance with the

proposed definition of strategic value, the methodology is supposed to help the company achieve its objectives as well as achieve high efficiency in a practical way. The processes contained in it are to be visible both to patients for whom value will be provided, and to contractors with whom the pharmacy chain cooperates. In accordance with the research results, the methodology put emphasis on warehouse and sales processes, providing value to patients through the quality and professionalism of the provision of pharmaceutical care, or merchandising in pharmacies. This methodology may be implemented in an organization in two ways. It may be implemented in pharmacy chains or in newly opened pharmacies where strategic value management processes have not yet been developed. The proposed solutions should significantly influence the management of strategic value by controlling warehouse and sales processes, creating value and capturing it.

The utilitarian objective of the work was achieved through the developed proprietary methodology of adjusting pharmacy business models to legal regulations, market expectations and high efficiency. According to it, adjustment of business models of pharmacy enterprises should take place on three levels. Managers of pharmacy chains must constantly monitor changes in the provisions of the Pharmaceutical Law, then interpret these regulations for possible changes in the business model of the pharmacy chain and, if necessary, adapt their business model to these requirements by reorganizing it, to a supply chain, but also by interacting with customers. Failure to do so may lead to the withdrawal of the license and, consequently, to the closure of the pharmacy. The ongoing changes in the business model caused by the new regulations should be confronted with the changing expectations of the market. Full orientation to the needs of patients and their satisfaction is necessary. The results of the conducted research have indicated that patients expect high quality and professionalism in the provision of pharmaceutical services, understood as involvement in solving problems, professional advice or information about possible interactions between/among medicines. Conscious patients expect from the pharmacy an assortment that meets their needs. The factors influencing the achievement of high efficiency are the last level to which the business model of a pharmacy company should be adjusted. The business model must be configured in relation to changing external and internal factors. It is necessary to use the network effect and to make relations in the supply chain and value loop more dynamic. Constant monitoring and feedback serving for the achievement of high efficiency. The rapid dynamics of the market requires the managers of pharmacy chains to be involved in increasing the efficiency of both employees and

partners as well as patients themselves. Thanks to such a holistic approach, it is possible to react quickly strategically and adjust the business model to changes.

The author of the presented dissertation hopes that the results of his research and the presented proprietary methodologies may be regarded as a contribution to the development of research relating to the functioning mechanisms of pharmaceutical enterprises from the point of view of the impact of strategic value management on the effectiveness of their business models.

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***Keywords:** pharmaceutical market, pharmacy business model, strategic value, strategic value management, high efficiency*