



# Writing a business plan: Why and how

## LEARNING OBJECTIVES

- **Explain** the benefits of business planning.
- **Describe** the needs of individual physicians and healthcare organizations.
- **Describe** resources and useful questions for identifying customer needs.
- **Describe** the elements of a current situation analysis and a future situation analysis.
- **Identify** typical threats and opportunities, and characteristics of objectives and actions.

*This initial article in a three-part series discusses the benefits of business planning, the evolving needs of customers and the resources for identifying those needs. The article also describes key elements of a business plan.*

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**D**emands on the healthcare representative have become more complex over the last 10 to 15 years. The marketplace is affected by a number of factors, including competition, economics, politics, technology and government regulation. Many pharmaceutical companies have eliminated layers of management in their efforts to remain competitive, resulting in more autonomy for healthcare representatives.

Healthcare representatives are facing greater responsibilities for managing their

territories as their own “businesses.” Additionally, they face a wide variety of customers with diverse needs and interests. The combination of increased responsibility and the need to make every call count has intensified the importance of business and strategic planning.

### Benefits of business planning

Effective business planning can be done in a systematic way that will enable you to define a direction for your business and map out a plan for moving in that direction. A business plan is a tool that you create by organizing business planning data and ideas into a written form. It will help you:

- Identify, gain and keep profitable customers.
- Monitor the change that is continually taking place within your markets.
- Communicate with others in your company, so that you can screen your ideas before presenting them to managers, attract team support and build team consensus, and obtain the money and permission to proceed from upper management.

Taking the initiative to develop and communicate your plan to others will demonstrate your business acumen. Your business planning skills can be an advantage for you as you advance in your career. Before you begin to build your plan, you must understand the needs of your customers.

### Focusing on the customer

Today the customer is not only the physician, but also the purchasing agent, pharmacist, formulary committee, medical director, case

manager and administrator. You will need consulting skills to identify and meet the needs of these new customers, as well as negotiating skills to work upward through your own organization to solve the customers’ needs through appropriate channels.

As a group, physicians’ needs tend to focus on the proven safety and effectiveness of products, as well as recommendations by leading physicians. Increasingly, however, they are looking at cost as a consideration when selecting therapies for their patients.

As more physicians start their own managed group practices, their needs may expand to include a greater business focus. Furthermore, many physicians are enrolling in graduate programs to learn how to manage the business side of their practices, improve the organization of healthcare systems and understand the importance of evaluating cost-effective care.

In contrast to individual physicians, healthcare organizations conduct the delivery of healthcare as a competitive business. Although managed care organizations differ widely, they try to be distinct from each other and other forms of healthcare.

As more managed care organizations are beginning to offer the same range of services, their needs are focusing on providing quality customer service to patients and employers. In addition, the business and pharmaceutical needs of a healthcare organization must be considered as a whole, as well as the needs of its personnel and its ultimate customers – the patients and employers.

## REPS: RECEIVE CREDIT AND RECOGNITION

Continuing Education in **Pharmaceutical Representative** aims to provide reps with information to help them meet the needs of the people they serve and to contribute to reps’ personal and professional development. Every third issue includes a self-assessment quiz covering the previous three Continuing Education articles. The quiz for this article appears in the June issue. Reps who correctly complete the quiz and return it to the CMR® Institute with a nominal handling fee will receive a completion recognition form showing that they have successfully completed the three-part educational series and earned .25 CEU (2.5 contact hours). The CMR Institute also will send a letter of recognition to reps’ managers upon completion of a quarterly series. A Certificate of Achievement will be awarded to any representative who successfully completes four quizzes or has obtained 1.0 CEU.

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## Identifying customer needs

It is important for you to learn as much as possible about your different customers in order to meet their needs. Before meeting with anyone at a healthcare organization, you should thoroughly research the organization.

Formal resources for research include explicit data such as marketing studies, newspaper and magazine articles, promotional brochures, Health Plan Employer Data and Information Set (HEDIS) reports, annual reports, and insurance company reports. However, you should also be aware that these sources may be incomplete, may contain irrelevant information or may be out-of-date. In addition, the pharmaceutical company usually has access to many types of data that are purchased from companies such as IMS Health, and may also have conducted formal customer research projects, such as focus groups and surveys.

There are also informal and indirect channels for gathering information on an organization. These can be through discussions with customers and co-workers; reading newsletters, journals, brokerage reports (from firms such as Smith Barney or Merrill Lynch); or attending professional association meetings for managed care administrators.

The following is a list of useful questions you can ask to help clarify your customers' needs. First, however, try to answer these questions through sources within your company. Then verify and clarify the information with the customer. Since the provider has only limited time available, you should carefully choose which questions to ask. It is important to keep in mind that customers may not have a clear understanding of their needs. One of your major responsibilities is to help them to become aware of what they need.

- What is the environment of the competitive market (the rules, players, competitive norms, etc.)?
- Which employers does the healthcare organization serve?
- What is the organizational structure of the healthcare organization?

## Elements of a business plan

### Executive summary

#### Analysis phase

- Current situation analysis
- Future situation analysis
- Threats and opportunities

#### Planning phase

- Objectives
- Actions
- Review and control

- What are the short- and long-term strategies for growth?
- What are the financial restraints facing the healthcare organization?
- What are the most important products or services to be provided to the healthcare organization or its customers?
- What are the important specifications for these products or services?
- How should the pharmaceutical company and the healthcare organization work together to meet the objectives of each party?
- How should the pharmaceutical company follow up to make sure the healthcare organization's needs are met?
- When and how should the product or service be delivered?
- What will the customer contribute in time or resources to get what he or she wants?
- What are the pressing needs or issues that have not been covered?

### Writing a business plan

In writing a business plan, each step is based on data developed in previous steps. There is no right or wrong length for a business plan; you want it to be long enough to deliver the necessary information and short enough to be used. Write your plan for your own guidance, but tailor it to be of value to others who might have to read it. Your company may have guidelines for developing a business plan. A business plan consists of several components, including an executive summary, current situation analysis, future situation analysis, threats and opportunities, objectives, actions, and review and control.

### Executive summary

This component is a brief synopsis of the entire business plan. It should simply cover

the basics, capturing your readers' attention to encourage them to read the rest of the plan.

### Current situation analysis

A situation analysis evaluates the current marketplace status in relation to your company, customers and competition. As it is the foundation of your plan, it is important to use current and valid information. Your company may supply you with monthly or quarterly reports that can help you analyze sales and competitors. You will also need to make estimates. As in your research on customer needs, you will need to consult sources such as business journals, periodicals, news reports, regulatory agency policies, press releases or IMS Health reports.

A current situation analysis should include a sales analysis, a customer analysis and a competitive analysis.

**Sales analysis.** A sales analysis generally identifies these components:

- An analysis of both your own sales and your competitors' sales. This will help you to identify how much business is available and what percentage of the total potential you may be getting, as compared with your competitors.
- Organizations that make up the majority (for example, 75%) of your territory.
- Primary target audiences within those organizations.
- The most important challenges and opportunities.

**Customer analysis.** In your customer analysis, you should profile your major customer segments, such as traditional fee-for-service practices, health maintenance organizations and preferred provider organizations, long-term care facilities, clinics, Medicare, Medicaid, or others. For each



segment, you may want to include information such as:

- What percentage of your total territory business the segment contributes.
- Which individual organizations comprise the majority (for example, 75%) of the segment business.
- A list of any ongoing or prior initiatives in which you have targeted a particular segment.
- The results of those initiatives.
- The primary target audiences within each segment.
- The most important challenges and opportunities in your relationship with each group.

**Competitive analysis.** The competitive analysis will help you define the important competition you face in your marketplace. For each important competitor, you should identify the following (where possible):

- Their important customer segments and target audiences.
- The products that directly compete with yours.
- Their strengths and weaknesses relative to: product line, customer satisfaction, management and personnel, policies, promotional approach, reputation.
- The value-added services they offer.

### Future situation analysis

This type of analysis requires you to make assumptions about the threats and opportunities that are likely to develop as a result of changes in a number of environmental conditions. Your plan should focus on a specific time frame, such as 12 months.

The following are several important areas to analyze, with important questions to consider:

- **Economic conditions.** What might happen that would influence my customers' economic confidence, spending levels or price sensitivity? What threats or opportunities may result from changes in these areas?
- **Demographics.** What changes might affect my customer base? Are there any new developments, shifts or changes that may influence my customers or their businesses? What demographic threats or opportunities exist in my territory?
- **Government/regulatory environment.** Can I anticipate changes in programs, product approvals, licensing or taxes that may

impact supply and demand? Are there other aspects of my business that might be impacted by these types of changes? What threats or opportunities might develop as a result of these changes?

- **Competition.** Where will my competitors focus? What new products are imminent? What threats or opportunities may develop as a result of my competitors' actions?
- **Customer and market needs.** What significant changes can I forecast for my customers? What significant changes can I forecast for my markets? Are there trends I should investigate or research further? What kinds of opportunities may develop?

### Threats and opportunities

Threats and opportunities identified in the previous analyses should be listed and prioritized. To rank each one, ask yourself the following types of questions: Where are the vulnerabilities in my business? What might my competitors do to erode my market share? What are the strengths of my business? What are my competitive advantages in the marketplace?

Typical threats might include: declining share in market segment; new products or programs introduced by competitors; major changes in the existing market (for example, a major HMO closes its formulary); issues relating to personnel, promotion, product, pricing or distribution.

Legislative efforts may translate into threats, including: increased co-pays and restructuring of the health plan drug benefit, rapid increases in the cost of pharmaceuticals, adverse drug interactions associated with drugs on the market, public interest group pressure on the FDA for letting "dangerous" drugs on the market, slowdown in new drug approvals.

Typical opportunities might include: development of value-added programs or other types of programs to support promotional efforts, new market or product introductions, negative competitive experiences in the marketplace, improved economics, improved personal effectiveness.

### Objectives and actions

Your objectives should be based directly on your prioritized threats and opportuni-

ties. When defining your objectives, it is important to focus on what you plan to accomplish, not how you will do it. For each objective, there will generally be several actions associated with it. Actions specify what will be done to ensure that the objectives are met. Establish time frames and budgets for each action.

Objectives and actions should each be: specific, realistic yet challenging, measurable, associated with a time frame, based on systems-thinking (think of the interrelationships within your market area) and communicable to others.

### Review and control

In general, you should review your plan at least once a month. You should update the situation analyses if new or better information is obtained.

*The next article in this series will focus on project management.*

### ARTICLE SUMMARY

- Business and strategic planning has become more important to healthcare representatives as they manage their territories in a more complex environment.
- A business plan is a customer-focused tool that you create by organizing business planning data and ideas into a written form.
- Today the customer is not only the physician, but also various personnel of managed care organizations.
- The needs of individual physicians and healthcare organizations are evolving.
- There are formal and informal resources available for researching and identifying customer needs.
- Asking certain questions will help you clarify customers' needs.
- In writing a business plan, each step is based on data developed in previous steps.
- A business plan consists of several components:
  - Executive summary.
  - Current situation analysis.
  - Future situation analysis.
  - Threats and opportunities.
  - Objectives.
  - Actions.
  - Review and control.