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**BUSINESS PROFICIENCY OF PRIVATE PHYSICIAN
PRACTITIONERS IN NYERI COUNTY AND HOW THIS
INFLUENCES THE BUSINESS GROWTH OF THEIR PRIVATE
PRACTICES**

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Strategy

BUSINESS PROFICIENCY OF PRIVATE PHYSICIAN PRACTITIONERS IN NYERI COUNTY AND HOW THIS INFLUENCES THE BUSINESS GROWTH OF THEIR PRIVATE PRACTICES

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Abstract

Purpose: The purpose of this study was to determine the business proficiency of private physician practitioners in Nyeri County and how this influences the business growth of their private practices.

Methodology: The study used descriptive research design. Non-probability sampling method was used. In particular, purposive sampling was used. The target population was 31 doctors and the sample size was 31 since a census method was used. The main tool for data collection was questionnaires. Data was analyzed using Pearson correlation analysis.

Results: Growth of private physician practice is positively influenced by leadership skills, Accounting and Financial Management skills, Human Resource Management skills and implementation of Information Communication Technology.

Unique Contribution to Theory, Practice and Policy: It was recommended that every physician engaged in private medical practice should have at least the basic skills in business management. Private medical practitioners are further encouraged to implement the use of Information Communication Technology in the operation of their practice.

Keywords: *Leadership skills, accounting and financial management skills, human resource management skills, information communication technology, and growth.*

INTRODUCTION

Background of the Study

Private entrepreneurship in form of small and medium scale enterprises (SMEs) is a viable way of stimulating economic activities by private individuals. Apart from benefiting the entrepreneurs it helps the society at large by providing jobs as well as the essential services that satisfy the existing basic needs. Private Medical Practitioners provide private medical services where they carry out the business like any other entrepreneur.

They are medical specialties devoted to comprehensive health care to people of all ages. The services they offer are based on knowledge and skills. They deliver a range of immediate, long term and preventive medical care services. In addition to diagnosis and treatment of illnesses, they also provide preventive care, including routine checkups, health-risk assessments, immunization and screening tests, and personalized counseling on maintaining a healthy lifestyle; hence they play a very important role in the healthcare system of the country.

Medical service provision is an expensive undertaking and in most cases it is the domain of the state. However private entrepreneurs have ventured into such areas in order to complement and cover for state deficiencies in health service delivery. Private entrepreneurship in form of small and medium scale enterprises (SMEs) is a viable way of stimulating economic activities by private individuals. Besides benefiting the entrepreneurs it helps the society at large by providing jobs as well as the essential services that satisfy the existing basic needs, the major one being health (Timmons & Spinelli, 2007).

In traditional African culture, healers initially received a small token for their healing services. The token given was dependent on the ability of the sick person. The full reward was given later when the person undergoing treatment had fully recovered (Kenyatta, 1978).

The history of entrepreneurship in modern medical practice can be traced to the beginning of the 19th century. At that time, most doctors, most of the time, had only their time and advice to offer. They were mostly primary care givers who had modest and inexpensive array of procedures and remedies and competed with alternative healers. The assumption that early time was that patients would pay for their medical care, to the extent that they could afford it. This necessitated that fees be reasonable and commensurate with the patient's ability to pay (Relman 1982; Rodwin 2007 and Lee 2008).

Just before World War II, the system of medical practice began to change. One of the major changes then that directly relates to entrepreneurship was the explosive development of new medical technology. This led to there being many more tests, many more diagnostic and therapeutic procedures and many more billable items for patients (Relman, 1982).

The large array of technology and new methods of treatment offer a unique entrepreneurial opportunity for the medical practitioner willing to take the risk. It is anticipated that the coming years will continue to see tremendous opportunities in the field of medical technology. In particular, those individuals who are able to marry their clinical and engineering capabilities with an entrepreneurial mindset have the potential to be the 21st Century greatest entrepreneurs (Lee, 2008).

Statement of the Problem

The healthcare sector, especially private medical practice, is growing and there is opportunity for leaders in the field to establish and maintain a good competitive advantage in the healthcare sector. The complex nature of health care demands that physicians and non-physician leaders develop an understanding of the business of medicine. In the not-too-distant future, the diverse and escalating challenges in the health sector will call for practitioners' alertness to remain competitive as well as relevant. A study commissioned by the American College of Hospital administrators in 1984 on the future of medical practice concluded that medical practice should be done in a competitive environment and physicians of the future need to learn business skills. Medical practice is a business enterprise like all other enterprises. Therefore, for these medical practices to be successful, their managers must have the basic business skills required of an entrepreneur (Korcok, 1984). Gerber (2004) contents that medical curriculum has remained fairly unchanged over a long period of time and it does not equip physicians with business management skills. This leads to poor business skills which are not compatible with the changing patients' needs.

According to the Medical Group Management Association (2007), medical practice managers should be proficient in eight main areas. These areas are: financial management, human resource management, planning and marketing, information technology, risk management, governance and organizational dynamics, business and clinical operations and finally, professional responsibilities which are very vital for any business expansion, profitability and growth.

The road to a successful medical practice is not always a smooth one due to potential problems that face the healthcare sector. Despite huge investments of cash and efforts, business success in private medical practice is not automatic as it has numerous problems such as poor infrastructure (medical equipment), unstable economic climate, and lack of government incentives, poor business management skills and professional skills as well as poor financial support systems. It is for the aforementioned reasons that the researcher found the need to investigate on the factors that influence business growth of private medical practices.

Research Objective

The general objective of the study was to determine the factors influencing the business growth of private physician practices operating in Nyeri County.

The Specific objectives were:

- i. To find out how leadership skills affect the business growth of physician private practice.
- ii. To find out how accounting and financial management skills influence the business growth of physician private practice.
- iii. To establish how human resource management skills influence physician private practice business growth.
- iv. To find out how information communication technology and its implementation affect business growth of physician private practice.

LITERATURE REVIEW

Theoretical Review

Enterprise Growth Theory based on the Scale Boundary Theory

The enterprise growth theory based on the scale boundary is based on Coase's (1937) transaction cost theory. Coase thought that the marketable character of an enterprise is the substitute of the price mechanism. Coase utilized the concept of transaction cost to explain the reason of enterprise generation and define the scale. His opinion when discussing the enterprise scale was that when the added transaction was organized by the enterprise, the scale of the enterprise would be extended, and if it was organized by another enterprise or market, the scale of the enterprise would not change, and when the scale of the enterprise is extended, the added transaction cost in the enterprise equaled the cost to accomplish this transaction in the market or the cost of the added transaction organized by another enterprise.

Enterprise Growth Theory based on the Life Cycle Theory

In the 'Enterprise Life Cycle', the enterprise is likened to a living body, and the life cycle theory takes it that as a living body goes through life's course from birth, growth and death, an enterprise will also experience the process from generation, growth, aging and death. As the flexibility of an enterprise gradually decreases and the controllability gradually increases and decreases, the enterprise growth can be divided into the growth stage, the regeneration and mature stage, and the aging stage. The growth stage includes the gestation stage, infant stage and step-learning stage. The regeneration and mature stage includes the youth stage and prime stage. The aging and death stage includes stabilization stage, noble stage, early bureaucracy stage, bureaucracy stage and death. The character changes of various stages in the lifecycle of an enterprise essentially reflect the change of enterprise culture, and to keep a lively enterprise culture a flexible organization structure is very important in this theory.

Enterprise Growth Theory based on Gene Combination Theory

The enterprise is regarded as an organism, a 'biological corporation', and the various influencing factors on the enterprise are looked upon as genes and chromosomes. The eternal life of the 'biological corporation' rests with whether it has the ability to drive all systems to transform synchronously. Just like in an organism, a gene may mutate during DNA replication. The result of this mutation may be good or bad depending on whether the resultant change is an opportunity or a thread to the enterprise.

Empirical Review

In his research paper on Teaching Residents Practice-Management knowledge and skills, Williams (2009) notes that the practice of medicine necessitates business knowledge. He states that physicians must navigate through a sea of business terms during their busy workday. From his research, he established that practice management is an increasingly vital skill base that physicians must be able to understand and apply. He recommends that training programs should whenever possible incorporate learning of practice management into clinical work in addition to didactics.

Patterson (1995) initiated a practice management curriculum in a family practice residency and saw an increase in collections and productivity. In addition, graduates of this program reported that they were able to operate their practices profitably. Also, potential employers sought the program's graduates because of their practice management background.

Allan (2009) a faculty director of Health Sector Management program at Boston University School of Management notes that medical education is adapting to the realities of the 21st century with medical students increasingly exposed to topics traditionally housed within business schools as part of their clinical training. These include leadership, entrepreneurship, people management skills and financial management.

Willoughby (2008) attested that a medical practice is an entrepreneurial business and it shares many common features of any entrepreneurial organization. Common characteristics include people management, implementing systems and processes, taking care of customers and financial risks and rewards. Unfortunately, business management skills are not taught at most medical schools and later on when they set up medical practices, this becomes a source of frustration to medical practitioners.

From their research done in Nigeria, Okaro and Ohagwu (2010) found that only one (11.1%) out of nine respondents who were involved in medical radiology entrepreneurship had enrolled in a business school prior to setting up their practice leading to most of the practitioners becoming almost obsolete in the business world due to lack of the business management skills.

According to Lee (2008), opportunities for advances in the field of biomedical engineering are endless and this, of necessity, creates a lot of chances for the medical entrepreneur. Guidelines for potential to ensure successful ventures in medical entrepreneurship include: financial management and product pricing; employment and licensing deals; mergers, acquisitions and sale of a company; effective management of people, time and resources; product manufacture; establishment of a market niche for your product; globalization of the enterprise after establishing a strong local market.

According to Sullivan et al (2002) entrepreneurship is often a difficult and tricky venture, resulting in many new ventures failing. They are fraught with challenges which have been subject of considerable interest to researchers. Sullivan et al (2002) report a study which showed that a majority of small businesses consider finding and retaining qualified workers as the most significant challenge to the growth and survival of their business. Other major concerns of small businesses include government regulations, economic uncertainty, keeping up with technology and access to adequate capital. Gerber (2004) contents that medical curriculum has remained fairly unchanged over a long period of time and it does not equip physicians with business management skills.

RESEARCH METHODOLOGY

The study used descriptive research design. Non- probability sampling method was used. In particular, purposive sampling was used. The target population was 31 doctors and the sample size was 31 since a census method was used. The main tool for data collection was questionnaires. Data was analyzed using Pearson correlation analysis.

RESEARCH FINDINGS AND DISCUSSION

Demographic Characteristics

Gender

The gender distribution is shown in figure 1.

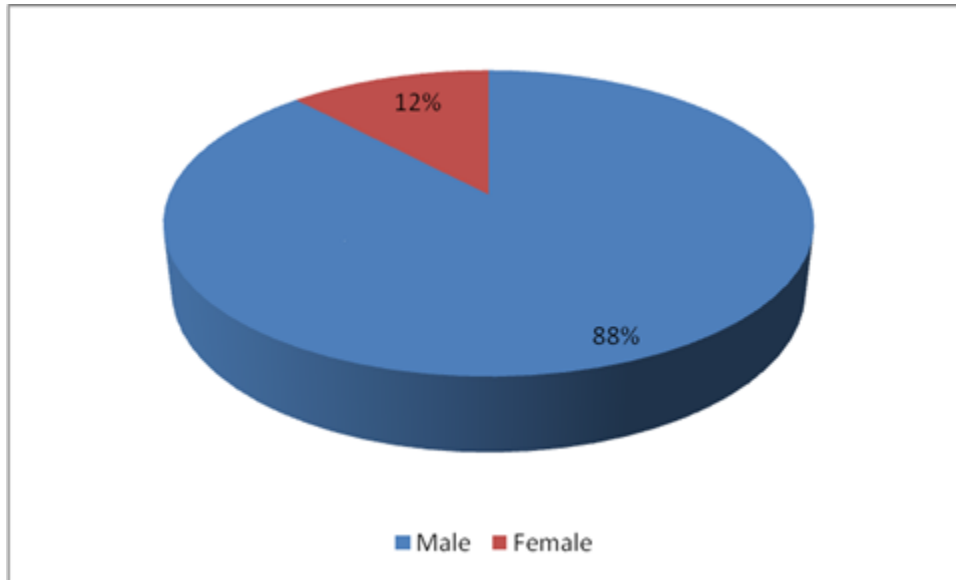


Figure 1: Gender of Respondents

The majority of the respondents (88%) were male while the rest were female. This reflects the gender imbalance which has been there right from early times when fewer females opted to pursue studies in medicine.

Category of Respondents

The distribution of the respondents is as shown in table 1 below.

Table 1: Speciality Fit of Respondents

Category/Speciality	Frequency	Percent
Surgery	7	28
Internal Medicine	5	20
Paediatrics	2	8
Psychiatry	2	8
Obstetrics/Gynaecology	4	16
Radiology	2	8
General practice	3	12
Total	25	100

Surgery category included respondents in the field of general surgery, urology, ENT, ophthalmology, and orthopaedics. The majority of respondents were in this category followed by those in internal medicine, obstetrics and gynecology and general practice.

Number of years in Private Practice

Respondents were asked to indicate the number of years they have been operating their private practice clinics. Figure 2 shows the distribution of the numbers of years the clinics had been in operation.

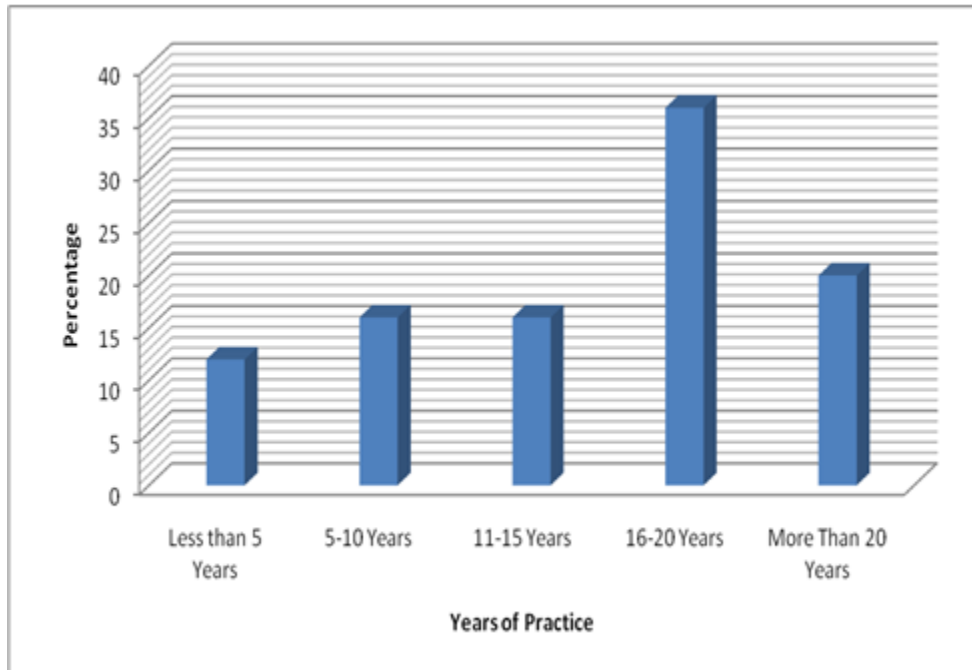


Figure 2: Number of years in Private Practice

Over half (56%) of the respondents had been operating their private practice clinics for over fifteen years. Only 4(four) or twelve percent of the respondents had been operating their private practice clinics for less than five years.

Practitioners' Perception of Private practice

Respondents were asked whether they viewed private medical practice as a business undertaking.

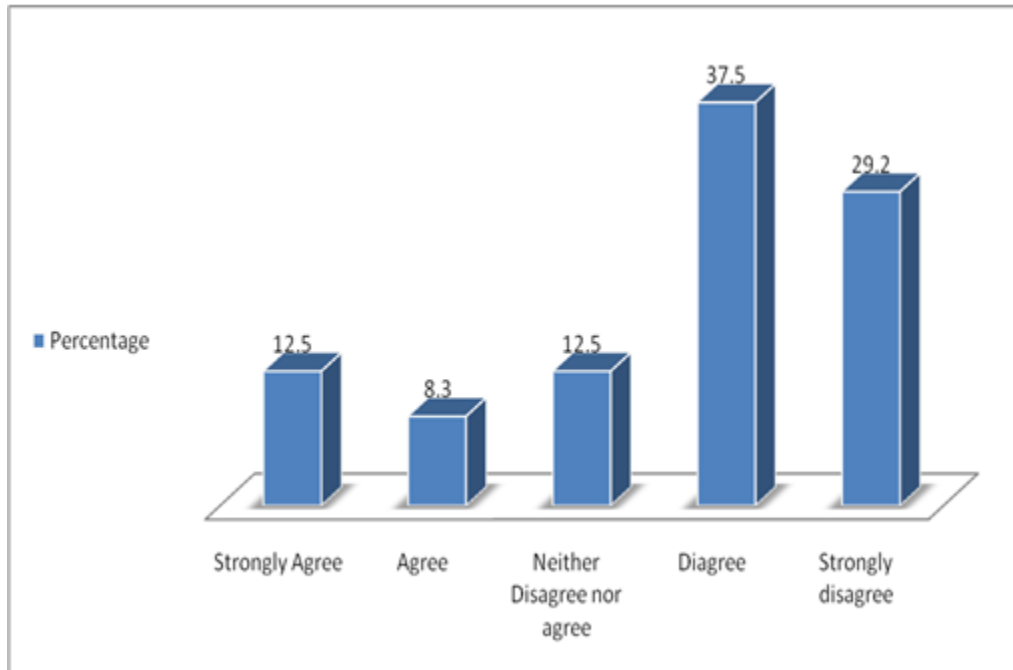


Figure 3: Practitioners' Perception of Private practice

Thirty six percent (36%) disagreed, twenty eight percent (28%) strongly disagreed while sixteen percent (16%) neither disagreed nor agreed. Twelve percent (12%) strongly agreed that medical practice is a business undertaking while only eight percent (8%) agreed. The large percentage of practitioners who do not view private practice as a business may be because of lack of training in business management so that they only view their practices from a medical position.

Training in business management

Respondents were asked to state whether they have had any formal training in business management. Of the twenty five interviewed, nineteen (76%) had no form any training in business management while six (24%) had some form of business training. The large percentage of practitioners who lack training in business management reflects exclusion of this from medical curriculum. The few who had some form of training in business management were affiliated to government institutions and it is known that the Kenya. Government usually sponsors practitioners in administrative positions to workshops and seminars where management skills are taught.

Level of Training in Business Management

The six respondents who answered in the affirmative to having had training in business management were asked to state their level of training. Four (66%) were trained through seminars and workshops. One each was trained at certificate level (17%) and diploma level (17%). No respondent had training at a degree level.

Contribution of Training in Business Management to Growth of Private Practices

The six respondents who answered in the affirmative were further asked to state whether their training in business management had contributed to the growth of their private practice. Three of

them (50%) strongly agreed and the other three (50%) agreed. Overall, 86% of the respondents agreed that training in business management had positively contributed to the growth of their practices.

Perception of negative effect of lack of Training in Business Management on growth of Private Practice

The nineteen respondents who had indicated that they had not had any training in business management were asked if they perceived that this had negatively affected the growth of their private practices. Thirty five per cent agreed, 25% neither agreed nor disagreed, 15% strongly agreed, another 15% disagreed while 10% strongly disagreed. Overall, this means that a majority of private practitioners feel that lack of training in business management negatively affects the growth of their practices.

Innovative ideas from employees to improve Private Practice

Respondents were asked if they encourage the employees in their private practice to give innovative ideas meant to improve the practice. From the diagram below 52% of the respondents disagreed while 12% strongly disagreed. Only 8% strongly agreed with 12% just agreeing. These results indicate that practitioners do not value the input of their employees towards practice improvement.

Mission and Vision for Private Practice

Respondents were asked whether they have a written mission and vision for their private practices. Out of the 25 respondents, only three (12%) gave a positive response. The rest, 88%, did not have a written mission and vision. This implies that many private practitioners were not aware of the importance a written mission and vision has on the growth of their practices. This does not promote entrepreneurship because without a vision and mission, an enterprise is unlikely to grow.

Accounting and Financial Management Skills

Keeping of Ledger Book for the Private Practice

Respondents were asked to indicate if they keep a ledger book for their practice. 18 out of 25 (72%) answered in the affirmative. 7 (28%) did not keep a ledger book for their private practice. This implies that most private practitioners recognize the importance of keeping a ledger book.

Use of Invoices for Cash Receivables

Respondents were asked whether they use invoices for cash receivables. Twenty one (84%) out of twenty five respondents indicated that they use invoices. Only four (16%) out of twenty five respondents did not use invoices. This implies that a majority of respondents appreciate and know the importance of invoices in tracking cash receivables.

Plough Back of into Private Practice

Respondents were asked to indicate the percentage of their annual income which they plough back into their private practice. Thirteen out of twenty five (52%) indicated that they plough back up to 25% of their annual income, eleven out of twenty five (44%) plough back 26 – 50 % of their annual income while only one respondent (4%) ploughed back 51 – 75% of their annual

income. These results show that a majority of practitioners plough back less than 50% of their annual incomes in their private practices. It implies that they therefore take a large part of the proceeds from their private practice into other uses.

Annual Statement of Accounts

Respondents were asked to state if they had worked out annual statement of accounts for their practices for the past three years. Twenty one out of twenty five (84%) stated that had done so while four out of 25 (16%) had not. It indicates that a large number of practitioners view annual statement of accounts as important and they therefore have them worked out annually.

Human Resource Management Skills

New Employees

Respondents were asked to indicate how many new employees had been added to those already in their practices in the past three years. Fourteen out of twenty five respondents (56%) had no new employee added to their private practices. Six out of twenty five respondents (24%) had one employee added. These results show that physician private practices hardly recruit new employees.

Staff training

Respondents were asked to indicate whether their staff had been trained to have the prerequisite skills required to assist them in their private practices. Sixteen out of twenty five (64%) indicated that their staff had been trained while nine out of twenty five (36%) had staff who had not been trained. The later could be involved in doing non-specialized work such as clerical duties, or being an office messenger.

Employees exiting

In this part, respondents were required to show the number of employees who had left their private practice in the last three years. Seventeen out of twenty five (68%) indicated that no employee had left their practice and five out of twenty five (20%) showed that only one employee had left their practice. These results imply that employees in private medical practices are very unlikely to leave their employment. This could be because the employees are given good incentives that make them comfortable and motivated to stay in employment with the physicians.

Job Description for Employees

Respondents were asked if employees in their private practice know their job description. Thirteen out of twenty five (52%) disagreed while six out of twenty five (24%) strongly disagreed. The results imply that many employees in private medical practices have not been given their job descriptions by their employers.

Statutory Requirements for Employees

Respondents were required to state whether they had registered their employees with National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF) as per statutory requirement. The results indicate that six out of twenty five (24%) and nine out of twenty five (36%) respondents have not complied for NHIF and NSSF respectively.

Information Communication Technology

Availability of components of Information Communication Technology

Respondents were asked to state whether they had the various components of Information Communication Technology. Out of twenty five practitioners, twenty two (88%) had access to the internet while only two (8%) had websites.

Use of internet for the latest information

Respondents' browsing habits for the latest information in their field was sought by suggesting to them the use of this facility. Forty one percent strongly disagreed and another equal number disagreed. Only 12.5 % strongly agreed to browsing the internet for the latest information. These results imply that although a majority of respondents have access to the internet, very few of them use it for updating their knowledge.

Electronic applications

To establish the use of information communication technology in the day to day operations of their practice, respondents were asked to state which electronic application were in use. Seven out of twenty five (28%) were using electronic patient records, three (12%) had electronic stock control, four (16%) applied electronic accounting and only two (8%) had access to and used electronic journals. Of note was that nine out of twenty five respondents did not have any electronic application in their practice. This result implies that medical practitioners were lagging behind in the use of electronic applications in the operation of their practices.

Profitability

Respondents were asked to rate their practice from a choice of very profitable, profitable or not profitable. Twenty four out of twenty five (96%) rated their practice as profitable while one rated theirs as very profitable. No respondent rated their practice as being not profitable. The results imply that medical practice is generally profitable and no practitioner makes a loss.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

Training in Business management is key to business growth of private physician practice. This is exemplified by the observation that of those who had had an opportunity of undergoing training, eighty six percent indicated that training in business management had positively contributed to the growth of their practice. Conversely, a majority of private physicians who had not had any training in business management perceived that this lack of training negatively affects the growth of their practices. This is in keeping with the findings of other authors (Allan 2009, Willoughby 2008). The results of the analysis and Pearson correlation show that there is strong positive correlation coefficient of 0.609 between business growth of physician practices and leadership skills.

Use of invoices for cash receivables, the keeping of a ledger book and the percent of plough back of earnings into the practice were used to gauge accounting and financial management skills. Whereas a large majority of practitioners use invoices (84%) and keep a ledger book (72%), an equally large majority (96%) plough less than 50% of their earnings back into their practices. No

literature is available to indicate the percentage of earnings physicians plough back into their practices. From this study, the author established that there is positive correlation coefficient of 0.457 between accounting and financial management skills on the one hand and business growth of private physician practice on the other. The importance of financial literacy by medical practitioners has been stressed by Willoughby, 2008

Recruitment of new employees into the practice, exit of employees and conformity to statutory regulations was used to assess practitioners' Human Resource Management skills. Willoughby, 2008, highlights the importance of assembling a great team to get things done well in a business. The author's finding was that among the four objectives of determining factors influencing growth of private physician practice, Human Resource Management was fourth, with a positive Pearson correlation coefficient of 0.450. It was noted that employee turnover was very low in the practices studied.

Availability of components of Information Communication Technology, use of internet to access the latest information in their field and use of electronic applications in their practice were taken as evidence of implementation of Information Communication Technology. Young and Rossouw gave a detailed account of the various ways in which Information Communication Technology can be used to give a competitive edge to a private physician's practice. The author found that implementation of Information Communication Technology had a Pearson correlation coefficient of 0.608 in relation to business growth of private physician practice.

Conclusion

Although private medical practice is a business venture, most private medical practitioners do not perceive it as such. Very few private medical practitioners have had training in business or practice management. Those who have had training in business management are very positive that the training they underwent has had a significant contribution to the growth of their private practice.

Growth of private physician practice is positively influenced by leadership skills, Accounting and Financial Management skills, Human Resource Management skills and implementation of Information Communication Technology. From the study, leadership skills and implementation of Information communication had the strongest positive influence on the growth of physician private practice. However despite the above, the study found that many private medical practitioners have not undergone any form of training in business management and many more are lagging behind in the use of electronic applications in the operation of their practices.

Recommendations

Business management skills are key to the growth of physician private practice. It is therefore recommended that every physician engaged in private medical practice should have at least the basic skills in business management. This can be done through the incorporation of practice management in undergraduate and post-graduate curricular of medical schools. The physicians who are already in practice are encouraged to seek training in business management from relevant institutions.

Private medical practitioners are further encouraged to implement the use of Information Communication Technology in the operation of their practice. This includes the use of electronic

patient records, electronic diagnostics, electronic stock control, electronic payment systems and electronic communication with their patients.

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