

CHAPTER 4

SUMMARY STATISTICS AND ANALYSIS OF MEASURES

The diagnosis was conducted based on the concept of level thinking or level of complexity whereby the firm was diagnosed at organisation, job and individual level because the root causes of the problem are interrelated.

The summary of the statistics and analysis of measures are divided into four parts. Part 1 consists of five sections, which are for the general environment diagnosis, strategic orientation diagnosis, self-actuation diagnosis and dissipativeness diagnosis. Part 2 consists of two sections, which are the departmental diagnosis and actor system generic identity diagnosis. Part 3 consist of 3 sections, which are actor system individual identity diagnosis, personal characteristic diagnosis and individual effectiveness diagnosis. Part 4 consist of 1 section, which diagnose the management system of the organisation in accordance to the ISO 9001:2000 international standard.

4.1 Part 1, Section 1, Organisation level diagnosis- General Environment

V1 – *Social* Increasing consumer awareness of healthcare issues. The Malaysian healthcare market is undergoing considerable change lead to patients taking a greater responsibility for their own health and medical cost. Therefore, the score 4 is awarded for socials.

V2 – *Economic* Malaysia experienced economy slow down due to the economic slow down in the United States and Japan. Both the government and private hospitals are trying to reduce its drug bill by purchasing the generics. In the private sector, private hospitals, clinics and pharmacies are developing rapidly

due to the high demand of quality health services. The pharmaceutical market will continue to grow at a slightly lower rate than in the past three years. Most growth will be driven by an increase in the number of doctors and pharmacies as well as the macro-economic climate. The use of generics in both the public and private sectors will continue to increase due to cost containment. Therefore, the score 3 is awarded for economics.

V3 – *Honesty* Trade margins remain free and the practice of bonusing and discounting will remain a fundamental part of promotion in the private sector. Whilst government practice fair open tender bidding system for drug utilize in the government hospitals. Though the government is trying to reduce its drug by promoting the use of generics, but quality and after sales service (e.g. continuous medical education to professionals) do carry weight in the tender decision-making process. Therefore, the score 4 is awarded for honesty.

V4 – *Technological* Big multinational companies are actively conduct research and development on newly invented medicine in collaboration with local teaching and government hospitals. Most companies are investing on IT to provide more efficient service to their clients. Company website provide an alternative way for health professionals to assess to company's product portfolio and other medical information. Therefore, the score 4 is awarded for technology.

V5 – *Ecological* Most medical products have stipulated shelf life. Any expired and unused medical products are required to be destroyed through incineration in order not to cause any environmental pollution. As such the ecological condition quite little impact on the organisation. Score 3 is awarded for ecological.

V6 – *Political* The government is trying to reduce its drug bill by "bulk purchase" at reduced prices through REMEDI (political related body) for all government hospitals. Pharmaceutical prices will remain free from price controls, although the

implementation of the Essential Drugs List (EDL) will place an indirect pressure on prices. Registration of generics may be allowed two years prior to product patent expiry to enable generics to come onto the market the minute original product patent expire. Government will continue to support and encourage the national pharmaceutical industry but will also encourage collaboration with foreign pharmaceutical companies. Therefore, the score 4 is awarded for political.

Table 1a: General Environment Level Diagnosis Results

| | V1 | V2 | V3 | V4 | V5 | V6 | Means |
|-----|----|----|----|----|----|----|-------|
| PHA | 4 | 3 | 4 | 4 | 3 | 4 | 3.67 |

The mean score obtain in this section is 3.67.This shows that the general environment for the organisation is good for the business. However, necessary action plan is required to face the challenge of variable 2 in terms of economics. The weak scores in variable 2 (economics) shows the challenge that the organisation faced in terms of cost containment of government and private hospitals. As shown in the table 1b (refer appendix), 66.66% of the variables are rated good score, this reflected a positive external environment for PHA.

4.1 Part 1, Section 2, Organisation level diagnosis – diagnosing the Industrial structure

V1 – Supplier PHA imported its “finished goods” from the manufacturing plants in US, Sweden, Italy and Australia (all own by Pharmacia global). Pricing is quite rigid for products which still under patent protection. However, price is quite flexible for those “off-patent” products that are facing competition. PHA is therefore in a reasonable bargaining position. The score 3 is awarded to suppliers.

V2 – Buyers The firm's pharmaceutical business covers both private and public sector. Its private sector business further spread over private hospitals, clinics, retail/wholesales pharmacies and medical halls. As its sales do not come from a dominant buyer, therefore PHA has advantageous and reasonable bargaining powder. The score 4 is awarded to buyers.

V3 - Rivalry among companies Pharmaceutical products are very diversified which can be divided into different types according to the therapeutic class. The threats of rivalry among companies is moderate as each big multinational companies has its strength in certain therapeutic class. For example, PHA is market leader in a few therapeutic classes like ophthalmology, oncology, Urology. The score 3 is awarded to rivalry among companies.

V4 - Threats of substitutes Threat of substitutes is very high for multinational companies like PHA. For its "off-patent" range of products, PHA is facing price competition from local as well as international generic companies. As for the patented products, PHA also faced competition from patented as well as generics products from the same therapeutic class. Head on competition to justify to the medical community in terms of favorable therapeutic efficacy, high safety profile, convenience administration, cost effectiveness, etc. The score 2 is awarded to threats of substitutes.

V5 - Threats of entry Threat from new entrants is high due to the high demand of cheaper and newer medication. The shortening of product registration process by Ministry of Health helps to expediate the availability of new medication enter into the Malaysian market. The minimum amount of asset required to start a business is low. The score 2 is awarded to threats of entry.

V6 - Threats of complementary The threat of complementary is rated good as the number of hospitals, clinics and pharmacies is continuously expanding. Factors that contributed to these phenomena are increase population (so as sick

people), higher health awareness, high demand of quality healthcare, increase foreign patients, etc. The score 4 is awarded to threats of complementary.

Table 2a: Results of industry structure level diagnosis

| | V1 | V2 | V3 | V4 | V5 | V6 | Mean |
|-----|----|----|----|----|----|----|------|
| PHA | 3 | 4 | 3 | 2 | 2 | 4 | 3 |

The mean score obtain in this section is only 3. This shows that in general the industrial structure is reasonably good for business but highly competitive. The big challenging come from V4 (threats of substitutes) and V5 (threats of new entry) where PHA needs to come out solid action plans to minimize the negative impact to the organisation.

Table 2b (refer appendix) reflected a different grading for the variables for diagnosing the industry structure level where one third of variables is rated fair, good and satisfactory. Some intervention strategies need to be formulated to improve those critical success factors.

4.3 Part 1, Section 3, Organisational level diagnosis – diagnosing the strategic orientation

V1 – Strategy PHA has a clear organisation's mission, goals and objectives, strategic intent and functional policies cascaded down from global to regional and to every market country. Individual country like Malaysia formulates its local strategy based on the global vision, mission and goals. Score 4 is given for strategy.

V2 - Core activity systems PHA's core activity is sales and marketing supported by other function such as logistic, finance, information technology and human resources. Majority of field force are well trained in medical and product knowledge as well as selling skill. Although there is quite a complete set of standard operating procedures for sales activities but is not properly and

seriously implemented. Marketing team comprises of product managers has good qualification background (pharmacists) but lack of innovative marketing program. Score 3 is given for core activity systems.

V3 - Human resource systems PHA is strengthening its selecting, developing, appraising and rewarding system. There is still a lot improvement needed to further strengthen the people's skills, personalities and behaviors of the people in the organisation. PHA implemented the yearly performance appraisal since 2000 but most of the employees do not view this exercise seriously, as such it was not documented as what is supposed to be. Salary increments or adjustment was granted arbitrarily and was not link to the performance management system. Score 2 is granted for human resource system.

V4 - Structural systems PHA has structured its organisation by function. The core department of Sales and Marketing is supported by other functions such as Human Resource, Training, Finance, Logistic, Information Technology, Medical and Regulatory. Due to the wide product portfolios, the Sales team is further divided by product groupings in addition to geographical division. Sales promotion is supported by marketing program develop by the product managers. Sales and Marketing has good integration through its monthly managers sales review meeting and Quarterly national sales meeting (Cycle Sales Meeting). Cross-departmental task force involved in special project such as "fast track new product launching". Score 4 is given to structure system.

V5 - Measurements systems Sales representatives submit their daily report to their respective sales managers on daily basis to feedback on their sales activities, market and competitors information. Since the sales report was done manually, it is quite difficult for Sales Manager to judge the accuracy of the report as well consolidating their team's productivity. The organisation can rectify this problem by embarking into the Electronic Territory Management System (ETMS) where sales representatives require to submit their sales activities report

electronically which ease the audit and checking process on sales force's productivity. The current IT facility is quite inefficient in terms of providing sales statistic in terms of sales performance by sales representative, by territory, by products, etc. Score 3 is given to measurements systems.

V6 – Culture Due to the previous mergers that formed the current PHA, people inherited slightly different work culture. With the new global directive of establishing “best managed behavior”, PHA is aiming a more unify and stronger organisation culture. Score 3 is given to culture.

Table 3a: Results of strategic orientation level diagnosis

| | V1 | V2 | V3 | V4 | V5 | V6 | Mean |
|-----|----|----|----|----|----|----|------|
| PHA | 4 | 3 | 2 | 4 | 3 | 3 | 3.17 |

The mean obtained in this section is 3.17. PHA needs to formulate action plan to improve the weak variables especially V3 (human resource systems). The other moderately weak areas are V2, V5 and V6, which are core activity systems, measurements systems and cultures. PHA needs to strengthen its sales and marketing competency through training program. Policies, procedures and standard operating procedures for sales activity need to be tightening by the sales department. PHA also should look into the improvement of staff's cohesiveness through team building exercise. As shown in table 3b, only 33.33% or one third of the variables obtained good grade, there is a lot of improvement need to be done in this area.

4.4 Part 1, Section 4, Organisational level diagnosis – diagnosing self-actuation of the organisation

V1 – Self-influencing With the expanding of the sales and marketing staffs and the successful of launching few new products, PHA had achieved consistent growth over the last few years. Increased in number of sales force provide a

wider geographical coverage and to provide better customer service in order to beat the competition. Besides recruiting experience sales staff, company also invested in people training to increase competency and productivity. In terms of self-influencing, PHA is graded 4.

V2 – Self-regulating PHA had formulated and documented a set of standard operating procedure (SOP) to serve as guideline for the daily operations for each function; but the implementation was not really being enforced. For example, the company had encountered problem of poor inventory control which caused significant profit lost due to the expired goods. Another example was that one sales staff was terminated by the company when he was found guilty of infringing the company's standard operating procedure on sales orders. The inventory personnel order goods from manufacturer based on historical sales trend. The poor inventory control partly due to lacking of feedback and coordination between Sales and Marketing department together inventory department. Score 2 is given to self-regulating.

V3 – Self-organizing The firm had taken proactive actions to response to perturbations from external environment. Despite the general economy slow down in between 1998 and 2000, PHA managed to record double-digit sales growth on yearly basis. PHA focused its resource in developing business in the unique product range that has high profit and diverse those highly competitive and unprofitable products. At the same time, more frequent product and sales training was conducted to enhance sale forces' competency in terms of product detailing and selling skills. Innovative incentive program was introduced to motivate sales force to achieve higher sales. The company scores 4 points in self-organizing.

V4 – Self-sustaining Being a subsidiary of an international pharmaceutical, PHA Malaysia imports the commercial medical products in the form of finished goods from the global manufacturer plant and to be stored in local sole distributor

(Zuellig Pharma Sdn. Bhd.). PHA's core activity in Malaysia is to carry out sales promotion and generate sales orders. The sales orders will then be channeled to distributor for goods delivery. As PHA's core function is dependent on its suppliers as well support from its local distributor, therefore PHA is rated 2 points in self-sustaining.

V5 – Self-producing PHA does not have manufacturing facilities in Malaysia. The Malaysia subsidiary purchases its commercial medical products from the global manufacturing plant. Score 2 is given to self-producing.

V6 – Self-referential PHA is a US-based company, its operation abide to strict ethical practice. All sales and marketing activities have to be based on the company ethical code of conduct. As a multinational Research and Development based company, PHA exhibit strong image in quality product and good customer service. The company has established leadership position in the medical field such as Inflammatory Medicine, Ophtalmology, Oncology, Central Nervous System, Women Health and Infectious Disease. Self-referential scores 4 points.

V7 – Self-conscious The firm constantly reviews it position against other competing companies in the pharmaceutical industry. The company's regulatory department responses promptly to customers' complain on product's safety and efficacy. PHA is quite sensitive to competitor's activities as well as market environment changes through verbal feedback. PHA scores 3 points for the characteristic of self-conscious.

Table 4a: Self-actuation scores

| | V1 | V2 | V3 | V4 | V5 | V6 | V7 | Mean |
|-----|----|----|----|----|----|----|----|------|
| PHA | 4 | 2 | 4 | 2 | 2 | 4 | 3 | 3 |

The mean for the self-actuation diagnosis is 3. In general the situation is satisfactory. Areas for improvement are V2 (self-regulating), V4 (self sustaining), V5 (self-producing) and V7 (self-conscious). V2 (self-regulating) scores fair only.

PHA needs more stringent rules to monitor its sales activity and inventory systems. V4 (self sustaining) and V5 (self producing) are rated fair. It is not cost effectiveness for PHA Malaysia to engage in local manufacturing and distribution. V7 (self-conscious) is rated 3. PHA requires further improvement in terms formal feedback system on competitor and market intelligent. The frequency analysis for self-actuation diagnosis is 42.86% as shown in table 4b (refer appendix). The self-actuation variables are graded with 4 points. This means that PHA is viable for Organisational change to take place.

4.5 Part 1, Section 5, Organisational level diagnosis – diagnosing disipativeness of the organisation

V1 - Structural orientation The organisation structure changed had been taken place in PHA particularly in the sales and marketing department in response to the environment change. The structure change was implemented in order to capitalize on the company's strength in terms of new product pipeline as well as market potential. PHA is graded 4 points for structural orientation.

V2 - Action towards deviation PHA responded quite slowly in terms of problems solving. For example, high inventory of low sales item resulting stock "write-off" still an unresolved issue. Therefore score 2 is given to action towards deviation.

V3 – Dynamic The organisation has a relatively young, energetic, innovative and aggressive work force particularly in the Sales and Marketing department. Sales and marketing staffs execute sales and marketing activities quite regularly to promote all range of medical products. Therefore, score 4 is given to dynamic.

V4 - Tendency of form The structure of the Malaysia PHA operation has been evolved in the last 2 years due to new management philosophy as well as tailoring to the change of environment. Score 3 is given to tendency to form.

V5 - Internal condition The organisation overall has not reached its desired industry ranking position i.e. top 5 ranking among the pharmaceutical companies in Malaysia. PHA has a lot of room for improvement and constantly benchmarking against the top-tier companies to further improve its operations. PHA scored grade 3 for internal condition.

V6 – Referential The organisation always benchmarking others for certain parameters (e.g. sales force productivity) but at the same time others are benchmarking against PHA in terms of staff benefit. Score 3 is given for referent.

V7 - Logical organisation PHA operates in a logical and order sequence. For example, when customer encounter side effect caused by PHA's product, sales force are trained to report immediately to Regulatory Department in order to seek further information from the customer. A reply will send back to customer after consulting the manufacturer. The decision will then be made by the top management to recall the medicine (if proven faulty) or to continue market the product (if the side effect is not link to the product). Score 4 is given to logical organisation.

V8 - System type PHA scores a good grade in this variable as the organisation is a open system with continuously strives for improvement. PHA constantly exchanged ideas with internally as well externally (with customer and peer company) to further enhance operational efficiency. Therefore, score 4 is given to system type.

Table 5a: Score for the system dissipativeness diagnosis

| | V1 | V2 | V3 | V4 | V5 | V6 | V7 | V8 | Mean |
|-----|----|----|----|----|----|----|----|----|------|
| PHA | 4 | 2 | 4 | 3 | 3 | 3 | 4 | 4 | 3.38 |

The mean obtained in the system dissipative diagnosis is 3.38, this is quite satisfactory but need improvement in certain variables particularly V2 (action towards deviation) in order to transform the organisation structure to be more dissipative to face the dynamic market. Table 5b (refer appendix) shown 50% of the variables score a good grade which means that PHA having a dissipative system.

4.6 Part 2, Section 1, Departmental level diagnosis – diagnosing the group level

V1 - Goal clarity All business units have set clearly their own divisional goals which in line with the company's goals. Goal is clearly communicated and reminded to all staffs especially during the quarterly sales conference. Score 4 is given to BUE, BUC, and BUP for goal clarity.

However, there are some staffs in BUM not aware of the business unit's goal. This probably due the size of the team, and somehow the goals were not being communicated well especially to staffs based in outstation. Therefore, score 3 is given to BUM.

V2 - Task structure Employees from the sales and marketing department are free to perform independent tasks. In general the sales staffs perform face-to-face direct promotion to target customers in their respective territory. Each business units has a business manager to supervise and control their sales team. In the larger units like BUP and BUM, business managers have a few district sales managers. The business manages are committed to achieve its unit's goal. They will make ensure sales activities being implemented according

the marketing strategy and achieve the business unit's sales target. Employees of all units are free to perform in their independent tasks as well as interdependent tasks with others. Score 4 is given all units for task structure.

V3 - Group functioning Employees within the BUE and BUC are working very cohesively and strong teamwork was demonstrated in this two business units. Staffs take initiative to offer help to others when faced problems. Score 4 is given to BUE and BUC for group functioning.

Although BUP is newly formed business unit lead by a young business manger, members in the team integrated very well because the group has very regular product meeting and team building workshop. Score 4 is given to BUP for group functioning.

BUM has the largest team and team members are based in various cities. Due to the broad product range and large geographic areas, team members are not so cohesive and very little interpersonal relations among their team members. Interpersonal competition and conflict among employees were noticed in a small group of sales employees. There is racial grouping in the BUM and the business manager was criticized for practicing favoritism. Score 2 is given to BUM for group functioning.

V4 - Performance norms In general there is an agreement on the performance norm in all business units that employees are allow to have casual wear to work on every Friday. Another norm for the Sales & Marketing staffs is leave replacement for those to work on Saturday or Sunday. Score 4 is given to all units for performance norms.

V5 - Group composition BUE is lead by an experience and knowledgeable business manager. Its team members are young, energetic, and work very

independently. The team had built up a strong trust between superior and subordinates. Score 4 is given to BUE.

BUC leads by a competent, experience and knowledgeable business manager. The team consists of members that have at least 4 years experience in the specialist area of oncology (cancer) field. Skill, ability and experience are balanced. Strong teamwork is demonstrated well by this business unit. Score 4 is granted to BUC.

BUP comprises of field force that being selected from a pool of talented people. The staffs are generally aggressive, knowledgeable, innovative and proactive. BUP responsible for marketing the company's "block buster" product, as such it received very high expectation and pressure from the management. Work stress sometimes due to lack high sales budget and high expectation from the company. Score 4 is given to BUP.

BUM has a mixture of capable and incompetent staff. There is satisfaction and less stressful work environment because of the balanced composition in terms of age, education, experience, skills and abilities. Score 3 is given to BUM.

Table 6a: Score for the group (department) level diagnosis

| Department | V1 | V2 | V3 | V4 | V5 | Mean |
|------------|------|----|-----|----|------|------|
| BUE | 4 | 4 | 4 | 4 | 4 | 4 |
| BUC | 4 | 4 | 4 | 4 | 4 | 4 |
| BUP | 4 | 4 | 4 | 4 | 4 | 4 |
| BUM | 3 | 4 | 2 | 4 | 3 | 3.2 |
| means | 3.75 | 4 | 3.5 | 4 | 3.75 | 3.8 |
| frequency | 4 | 4 | 4 | 4 | 4 | 4 |

Mean obtained in this section is 3.8. It is critical that action to be taken to improve the situation in BUM. V1 (Goal Clarity), V3 (Group functioning) and V5 (Group

composition) of the BUM are facing problem. Goals of the unit are not communicated well causing awareness of goals is low. Weak leadership is observed in the department. Leader need help to control task performs by individuals as the team is getting bigger. Racial grouping and leader practicing favoritism in the department causes ineffective and unsatisfactory group functioning. Table 6b (refer appendix) shown that only 85% of the variables are rated good, therefore PHA just needs to focus on area of improvement.

4.7 Part 2, Section 2, Departmental level diagnosis – Actor system generic identity

V1 – Wholeness Employees in the BUE and BUC are very close to each other and work very closely to achieve departmental goal. Members participate actively in the group discussion and brainstorming to provide constructive ideas to improve business performance or overcoming major obstacle. Members volunteer to provide assistance when their colleague is on medical leave or traveling. Score 4 is granted to BUE and BUC.

In BUP and BUM, business manager and sales managers are putting people together to work as a team to achieve the business objectives. As BUP is relatively a young unit, the team is still lacking in terms of cohesiveness. Score 3 is granted to BUP for wholeness.

For BUM, the team is subdivided into two subunits (GP and hospital team) there is little interaction task between the two subunits. Staff always put personal objective ahead of team's objectives. There is a sign of conflict between the two subunits in terms of sales orders and incentives calculation. Score 3 is granted to BUM for wholeness.

V2 – Propositional Both BUE and BUC are established business units; they have consistent set of assumptions, orientation and proposition that provide clear

direction and guidance to their sales force. Score 4 is given to BUE and BUC for propositional. Although BUP is a brand new unit, but it has a clear set of assumptions, orientation and proposition to guide the employees. Score 4 is granted to BUP.

In BUM individual characteristic, assumptions, logic and orientation are towards personal interest first before departmental interest. Score 2 is given to BUM for propositional.

V3 – Normative Strong trust between superior and subordinates are established in BUE and BUC. They have common agreement for working schedule and characteristic, for example reporting time to office. Score 4 is given to BUE and BUC for normative. Employees in the BUP have an agreed-on certain working characteristic with their team leaders, for example, frequency of reporting to office and daily working hours. Score 3 is given to BUP for normative. Due to lack of interaction between subunits of BUM as well as leader practiced favoritism, there is some disagreement between groups and staffs on certain working schedule and characteristic. Score 2 is given to BUM for normative.

V4 – Extension The business units of BUE, BUC and BUP have their own functional objectives, strategies and tactical plans that are fully aligned with the organisation's business goals. But the tracking of results and progress against timelines and milestones is not well implemented. Score 3 is given to BUE, BUC and BUP for extension. For BUM, its overall functional objectives, strategies and tactical plan are unclear as it has too many product lines that complicate the business objectives. Its implementation of the action plans had not been regularly reviewed and updated. BUM scores 2 points for extension.

V5 – Qualities The employees in the BUE and BUC are skilful, knowledgeable, business focused and service orientated. The groups are high achievers even though they carry higher sales budget as compared to other team. Score 4 is granted to BUE and BUC. Most staffs in BUP have high educational qualification,

good learning attitude and aggressive and willing to accept big challenge. These are basic quality that required by the business unit as the company has very high expectation on this unit to perform well. Score 4 is granted to BUP for qualities. Most of the staffs in BUM are competent sales staffs with years of experience in the pharmaceutical industry. However, there is a small distinct group who are less capable in performing their job duties. Scores 3 is granted to BUM for qualities.

V6 - Generic Identity In general, the generic identity or business unit characteristic of the four groups are being recognized and differentiated well. For example, those who handle eye products are being internally recognized as “eye specialists”. Therefore, score 4 is being given to all four business unit of BUE, BUC, BUP and BUM for generic identity.

Table 7a: Score for actor system – generic (department) level diagnosis

| BU | V1 Wholeness | V2 Propositional | V3 Normative | V4 Extension | V5 Qualities | V6 Generic Identity | Mean |
|-------|-----------------|---------------------|-----------------|-----------------|-----------------|---------------------------|------|
| BUE | 4 | 4 | 4 | 3 | 4 | 4 | 3.83 |
| BUC | 4 | 4 | 4 | 3 | 4 | 4 | 3.83 |
| BUP | 3 | 4 | 4 | 3 | 4 | 4 | 3.67 |
| BUM | 3 | 2 | 2 | 2 | 3 | 4 | 2.67 |
| Means | 3.5 | 3.5 | 3.5 | 2.75 | 3.75 | 4 | 3.5 |
| Freq. | 4 | 4 | 4 | 3 | 4 | 4 | 4 |

Overall mean of this section is 3.5. BUE and BUC 's mean of 3.8 shows that both business units are healthy. However, BUP BUM recorded mean value of 3.67 and 2.67 respectively. Both business units of BUP and BUM need to improve their weak conditions.

All business units have common weakness in the area of V4 (extension). BUP has additional weakness in the area of V1 (wholeness). BUM has weaknesses in

all areas except V6 (Generic identity). Distinct group of less competent staff in the unit causes the low score in these variables. Leadership problem in terms of dictatorship style and favoritism has resulted ineffectiveness and stress in this business unit. Results in table 7b (refer appendix) shown that the 47.92% of the variables in the actor system – generic level diagnosis awarded 4 points reflecting a good grade.

4.8 Part 3, Section 1, Job Level Diagnosis – Actor system individual identity

Table 8a: Actor system diagnosis – Individual score

| | Self –referencing closure (V1) | Altruism (V2) | Self-reflective evolution (V3) |
|----------------------|-----------------------------------|---------------|-----------------------------------|
| Senior Manager | 4.00 | 3.50 | 4.33 |
| Middle Manager | 3.69 | 2.77 | 3.77 |
| Sales Representative | 4.02 | 3.16 | 2.49 |
| Supporting Staffs | 2.67 | 3.25 | 2.42 |
| Mean | 3.59 | 3.17 | 3.29 |
| Frequency | 3 | 3 | 3 |

The results shown that the actor system for the individual level scores a satisfactory grade in terms of self-referencing closure with a healthy sign of 3.59. As the core activities in PHA is Sales and Marketing, the sales and marketing employees right from the Sales and Marketing Director down to the sales representatives, are actively interact with the external environment in their routine work schedule. Conversely, the supporting staffs have less opportunity to deal with external customers; therefore the score for this variable is relatively lower compare to the Sales and Marketing staff. As a whole, the average score for this variable is rated as satisfactory (3 points).

PHA instill a strong culture of team work among the employee and majority of the employees do have regard to the interests and needs of others, make sacrifices

for their colleague, and contribute to organisation goals. PHA rated 3 points for altruism.

Majority of the sales representatives are less reflective as compare to managers. Sales forces are too complacent with their current job status and fearful of suggesting area for work improvement. PHA scores 3 points of satisfactory grade for the self-reflective evolution variable.

As shown in table 8b (refer appendix), the frequency analysis for actor system – individual level diagnosis had shown that 41.47% of the variables achieved good and excellent scores. This means that organisation can survive under change through actor system adaptation but certain area need improvement. Condition still can be improved since 32.56 percent of the observation for V1, 72.09 percent of observation of V2 and 70.93 percent of observation of V3 is weighted below 4. Therefore, improvement still can be made to bring the variables to a better score.

4.9 Part 3, Section 2, Job level diagnosis – Personal characteristic

Table 9a: Score for personal characteristic diagnosis

| | V1 | V2 | V3 | V4 | V5 | V6 | V7 | V8 |
|----------------------|------|------|------|------|------|------|------|------|
| Senior Manager | 4.00 | 4.33 | 3.67 | 4.00 | 3.67 | 3.83 | 3.67 | 3.83 |
| Middle Manager | 4.00 | 3.69 | 3.08 | 3.46 | 3.31 | 3.38 | 2.54 | 3.62 |
| Sales Representative | 4.00 | 3.42 | 3.15 | 3.33 | 3.07 | 3.09 | 2.91 | 3.87 |
| Supporting Staffs | 4.00 | 3.17 | 3.08 | 3.42 | 3.42 | 4.00 | 2.83 | 4.00 |
| Mean | 4.00 | 3.65 | 3.24 | 3.55 | 3.37 | 3.58 | 2.99 | 3.83 |
| Frequency | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 4 |

V1 - Age Majority of the workforce falls between 30 to 40 years old. High portion of them are sales representation with high energy, aggressive and healthy group. The mean obtained for age is 4.

V2 – Experience Majority of PHA staff has experience in the job that they responsible. Those senior staffs gained experience within the company, whilst other jointed PHA with experience acquired from their previous job. PHA has preference to recruit experienced staff. The mean obtained for experience is 3.65.

V3 – Abilities Managers and sales supervisor have higher intellectual abilities. They are the “company’s ambassador” to communicate with external customers. They have talent to conduct analysis and come out solution for internal customers. Though the sales representatives have reasonably good physical abilities, but have moderate intellectual abilities. The mean obtained for abilities is 3.24.

V4 - Growth need Growth need are high among PHA work force particularly the sales representatives who are high sales achievers. They Majority staff are motivated to grow more. The mean obtained for growth need is 3.5.

V5 – Education The education variable obtained satisfactory grade as most staffs are not the pharmacist nor graduate. Majority of the staffs had qualification below tertiary education. The mean obtained for education is 3.37.

V6 – Skills PHA rated poor for this variable because most staffs are not professional skill workers. The mean obtained for skill is 3.58.

V7 - Needs & expectation Needs and expectation are rated satisfactory score. Majority of the staffs of PHA Malaysia are sales representatives age between 25 to 35 years old. They are relatively more aggressive, hard working and wanting to achieve good incentives and promotion. The mean obtained for needs & expectation is 2.99.

V8 - Family needs Most PHA enjoyed high stability, good health and harmony in the family life. Most staff felt satisfactory as PHA take good care of their family in terms of medical expenses and insurance. The family needs is rated good score. The mean obtained for family needs is 3.83.

Table 9b (see appendix) shows that 41.28% of the variables received “good” grade. Need to take some measures to move more variables from “satisfactory” to the “good” grade. Condition can still be improved because 55.81 percent of variable V2 score below 4, 83.72 percent of variable V3 score below 4, 58.14 percent of variable V4 score below 4, 80.23 percent of variable V5 score below 4, 72.09 percent of variable V6 score below 4, 95.35 percent of V7 score below 4 and 12.79 percent of V8 score below 4.

4.10 Part 3, Section 3, Job level diagnostics – Individual effectiveness

Table 10a: Results of individual effectiveness diagnosis

| | V1 | V2 | V3 | V4 | V5 |
|----------------------|------|------|------|------|------|
| Senior Manager | 3.67 | 3.33 | 4.00 | 4.17 | 4.00 |
| Middle Manager | 3.46 | 3.77 | 4.00 | 3.85 | 4.00 |
| Sales Representative | 3.40 | 3.00 | 4.00 | 4.05 | 4.00 |
| Supporting staff | 3.25 | 2.00 | 3.50 | 2.00 | 3.00 |
| Mean | 3.41 | 3.00 | 3.93 | 3.74 | 3.86 |
| Frequency | 3 | 3 | 4 | 4 | 4 |

V1 - Skills variety The employee in the core activities i.e. sales and marketing generally has a range of activities and abilities to perform their work. The mean obtained for skill variety is 3.41.

V2 - Task identity In PHA, the task identity is quit clear. Each department, division, group or individual has a clear job to be completed. They are able to see a job through from beginning to end. The mean obtained for task identity is 3.

V3 – Autonomy PHA practice “trust” culture. Meaning, the people is trusted to be able to produce result with great transparency. Employee has freedom to schedule their work and enjoy flexibility of work method as long they produce the end result. The mean obtained for autonomy is 3.93.

V4 - Task significant The PHA employees responsible for a significant task as most of the time our product and services is direct or indirectly dealing with people’s life. Therefore, PHA is rated 4 for this variable. The mean obtained for task significant is 3.74.

V5 - Feedback about results In the core activities of sales and marketing, the employees are constantly being monitored by the daily, weekly and monthly sales performance. All staffs have to meet twice a year (mid and end of the year) with their superior for the performance evaluation on the quality and quantity measurement. The sales representatives need to submit daily sales activity report for supervisor to measure their call rate productivity. In PHA, the feedback about results is satisfactory. The mean obtained for feedback about results is 3.86.

Table 10b (see appendix) shown that the self-effectiveness of the individual obtained a good rate whereby 54.89% rated good and excellent. The condition of individual effectiveness can still be improved because 55.82 percent of variable V1, 55.81 of variable V2, 83.72 percent of V3, 16.28 percent of V4 and 13.95 percent of V5 score below 4.

4.11 Part 4, Section 1, System Level Organisation diagnosis- Quality Management System

Table 11a: Results of Internal Quality Assessment

| | | | | | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | V1 | V2 | V3 | V4 | V5 | V6 | V7 | V8 | V9 | V10 |
| PHA | 4 | 4 | 1 | 3 | 3 | 2 | 3 | 3 | 4 | 4 |
| | V11 | V12 | V13 | V14 | V15 | V16 | V17 | V18 | V19 | V20 |
| PHA | 2 | 4 | 2 | 2 | 4 | 1 | 1 | 4 | 1 | 3 |

V1 - Management commitment As a subsidiary of an international US based pharmaceutical company, PHA always emphasis about the quality product and services to the customers and the product end-users. Evidence of top management's commitment to the development and implementation of the quality management system was PHA established the local medical and regulatory department since 1998 to ensure product is meeting the regulatory (Drug Control Authority) as well as customers (physicians) requirements. Appropriate resources are available to the medical & regulatory department to implement the quality management system. Quality management system related issues were highlighted in monthly management review meeting. Score 4 is given to management commitment.

V2 - Customer focus PHA practices the "customer always right" attitude. Top management always ensures and enforced the employees consistently meeting customers' requirements in order to sustain high level of customer satisfaction. Score 4 is given to customer focus.

V3 - Quality policy There is no official documentation on quality policy available although the concepts of quality management system always verbally being stressed by the top management. Therefore, score 1 is given to quality policy.

V4 – Planning Top management ensures the quality objectives, including those to meet requirements for products are established at relevant functions (e.g. medical & regulatory) within the organisation. The integrity of the quality management system is well maintained. Score 3 is given to planning.

V5 - Responsibility, authority and communication The responsibilities, authorities and their interrelation are frequently being communicated within the company as well to PHA's distribution partner. Score 3 is given to responsibility, authority and communication.

V6 - Management review PHA rated only 2 points for this variable. The monthly management review mainly discuss on customer's complaint about product's quality and recommendations for improvement or corrective actions. The management review did not so far discuss about establishing the quality policy and rarely assess the opportunity for improvement and the need for changes to the quality management system. Therefore, score 2 is given to management review.

V7 - Provision of resources PHA provide satisfactory amount of resources to carry out activities that enhance customer satisfaction by meeting customer requirement. The score given for provision of resources is 3.

V8 - Human resources Personnel performing work affecting product quality particularly regulatory and medical staff are competent in performing work affecting product quality. They are aware of the relevance and importance of their activities. Training to the personnel is lacking. The score given for human resources is 3.

V9 – Infrastructure PHA is rated 4 points for this variable because all the products are stored in the correct storage condition in warehouse provided by the company's distributing partner. Regulatory, medical and logistic personnel are

provided with communication facilities (both hard and software) to achieve conformity to product requirements. Score given for infrastructure is 4.

V10 - Work environment PHA's distributing partner provides good working environment for employees who are doing the product labeling or repackaging. Products are systematically store at the recommended storage temperatures. PHA maintain high level of communication to distributing partner to achieve conformity to product requirements. Score given for work environment is 4.

V11 - Planning of product realization PHA is relatively weak in planning for product realization. But, this process has gradually improve with the recent implementation of "cross-functional" approach involved various department such as regulatory, medical, sales & marketing, training, logistic and finance. Score 2 is given to planning for product realization.

V12 - Customer-related processes PHA usually will conduct the needs or market analysis prior to supply a new product to customers. The regulatory personnel will ensure the regulatory requirements for product registration application. Medical personnel will meet the customers' requirements for product acceptance through conducting clinical trials. Sales and Marketing will fulfill customers' requirement by conducting scientific lectures, workshop, congresses, and submission of tenders. Score given to customer related process is 4.

V13 - Design and development The organisation has quite weak interfaces between different groups involved in design and development to ensure effective communication and clear assignment of responsibility. For example, a product encountered a few round of changing of the product dressing due to lack of communication with customers and within the organisation. The score given to design and development is 2.

V14- Purchasing As the marketed product are importing from the parent company's manufacturer plant, therefore source of product is rigid. Nevertheless, the purchased products are conforms to specified purchase requirements that closely link to local regulatory requirements. The score given to purchasing is 2.

V15 - Production and service provision PHA carried out its service provision under the controlled conditions. Information about the characteristics of the product offered to customers is available and traceable. The organisation always preserves the conformity of the product during internal processing and delivery to the intended destination. The preservation includes the handling, packaging, storage and protection. PHA is rated 4 points for this variable.

V16 – General PHA has not had a full plan on the monitoring, measurement, analysis and improvement processes needed to demonstrate conformity of the product. So, the score given to product and service provision is 1.

V17 - Monitoring and measurement A low rate of 1 was granted to PHA for this variable because PHA did not have method to measure the customer satisfaction, internal audit of the quality management system, and monitoring and measurement of the characteristics of the marketed products. The score given to monitoring and measurement is 1.

V18 - Control of nonconforming product The controls and related responsibilities and authorities for dealing with nonconforming product is well documented and communicated. The organisation makes sure that product which does not conform to product requirements is identified and controlled to prevent its unintended use or delivery. Score 4 is given to control of nonconforming product.

V19 - Analysis of data Only 1 point given to this variable as PHA does not carry out activities to collect and analyze appropriate data to demonstrate the suitability

and effectiveness of the quality management system. The score given to analysis of data is 1.

V20 – Improvement The organisation handles the nonconformities quite well in terms of executing quick corrective action. But, the organisation is weak in preventing of potential nonconformities or problems. The score given to improvement is 3.

The table 11b (refer appendix) shows that only 35% of the variables are rated excellent. Corrective measures need to be done to move the 25% from 'good' rate to 'excellent'.

4.2 SUMMARY OF ANALYSIS

4.2.1 Organisation-Level Diagnosis

4.2.1.1 Organisation's general environment

The firm's general environment is fairly good. Technologically, PHA is dependant on the newly invented medical products from the International Research and Development to maintain its high image in providing quality health products and customer services. Economically, PHA needs to be cautious about the increased use of generics in both the public and private hospitals due to cost containment.

4.2.1.2 Industry structure

PHA's marketing has been focusing on few unique therapeutic areas such as ophthalmology, oncology, urology, etc. PHA's image depends on customer wanting original, patented and quality medicine.

PHA' industry is highly competitive and places considerable pressure on profits. Firstly, there are significant threats from new entry and substitutes. The

bargaining power of supplier is moderate because the finished goods are readily available from PHA's global manufacturing plant but price has to abide by global pricing policy. Finally, rivalry among firms is moderate. A number of international and domestic competitors exist where everyone competing for the same customers. Thus the likelihood of new competition, the threats of substitutes, and the rivalry among existing competitors are the primary forces creating unfavorable environment climates and squeezing profits in the pharmaceutical industry.

4.2.1.3 Strategic orientation

PHA has a clear mission, goals and objectives statement. It is attempting to achieve its growth and profitability goals by offering a differentiated product range – a high quality research-based patented product. Since PHA's core activity is sales and marketing, the firm's weaknesses in marketing activities as well as non-compliance in SOPs for sales activities are potential source of problems for the organisation. Human resources and measurement systems are underdeveloped. People do not view performance management systems seriously. The organisation's culture is unclear due to its previous mergers. People inherited slightly different work culture.

4.2.1.4 Self-actuation

PHA is weak in implementing the organisation's Standard Operating Procedures for sales activities. The elements of self-sustaining and self-producing are not strong as the organisation dependant on global manufacturer for supplying the finished goods and local distributor for distribution service. PHA is moderately self-conscious as the firm reviewed its effectiveness and performance against competition through industry bench marking.

4.2.1.5 Dissipativeness of the organisation

The competitive environment fits well with PHA's focus on differentiation and a flexible organisation structure. The alignment between its strategic orientation

and its environment appears sound. Slow in actions towards deviation obviously do not quite align with PHA's intent to provide quality product service to customer.

4.2.2 Group-level Diagnosis

4.2.2.1 Diagnosing the group level

It appears that only members from one division (BUM) are not clear about their team's goal. In the same division, the members do not have task-relevant skills and experience, both in their respective functions and their managerial role. Interpersonal relations are not healthy, but members do not seem to confront differences openly. There are conflicts of interest exist among members; leadership problem in terms of dictatorship and staff favoritism may be the cause of ineffectiveness of this unit.

4.2.2.2 Actor system generic identity

Lack of staff cohesiveness appeared in two divisions i.e. BUP and BUM where staffs are more self-centered. Staffs are unclear of direction and guidance and individual just focus on personal interest first before departmental interest. Sales representatives from division BUM has to sell a wide range of products as compared to other division, which complicated the division's business objectives, strategies and tactical plan. Low quality of staffs and leadership ineffectiveness further deteriorate the performance of BUM.

4.2.3 Job-level Diagnosis

4.2.3.1 Actor system individual identity

The 23% of the middle managers score below the mean for "self-referencing closure". As the core activities for PHA are "Sales and Marketing", it is very critical that the middle managers need to improve their integration with external

customers. Likewise, more than 90% of the supportive staffs score below mean for the same variable, therefore they should be retrained on customer communication.

About 50% (17% fair score) of the senior managers, 70% (54% score fair) of the middle managers, 75% (14% score fair) of the sales staffs and 75% of the supporting staffs score below the mean (4 points) for the altruism. There is a need to cultivate stronger teamwork and instill the good behavior of sacrifice for others and takes account of the interest of others.

The lower ranking staffs such as sales representatives (87%) and supportive staffs (83%) are less reflective, either they are too complacent with their job status or fearful of suggesting job enrichment. Similarly, the middle managers (23%) are found to be less reflective as compared to the senior managers. PHA needs to overcome the “fear culture” in the organisation and encourage more open communication and transparency.

4.2.3.2 Personal characteristics

Generally, the analysis shown that inexperienced staffs among middle managers, sales representatives and supporting staffs also demonstrated lower intellectual abilities. But, in depth analysis shown that 50% of the senior managers, 30% of the middle managers and 30% of the sales representatives score below mean for “intellectual abilities” although they are experienced employees (score above mean for “experience”). Besides looking at providing training program, PHA probably need to study the job fit of the organisation.

Many ambitious staffs have unmet growth needs due to limited senior position for promotion in PHA. About 45% of the middle managers and 65% of the sales representatives aimed for next promotion in their career path.

Both education and skills variable are rated fairly satisfactory. Only one third of the middle managers have degree qualification with good working skill and about 10% of the sales representatives are degree holder. PHA needs to look into improving staffs' skill and job knowledge to further improve their competency and effectiveness and at the same time improve the selection criteria for staff recruitment. Majority of staffs are quite satisfy with their family needs provided by PHA but many are unsatisfactory with their personal needs particularly the middle managers and sales representatives (100% score below mean). In this case, PHA probably needs to review the reward system.

4.2.3.3 Individual effectiveness

The individual jobs in PHA seemed to have low to moderate amounts of skill varieties where high for the senior managers and low for the supporting staffs. The jobs in most department seemed to include moderate amounts of task identify except the supportive group (score 2 points).

The jobs provide freedom in work schedule and work method and decision making for senior managers, middle managers as well as sales representatives. But little autonomy was granted to supporting staffs (score 3.5 points).

All senior managers, middle managers and sales representatives seemed to score high on task significant that reflected in firm's sales and profit achievement. Unfortunately, the supporting staffs' contributions are always being neglected (score 2 points).

All staffs involved directly with the core activities will receive direct and clear information about their performance on regular basis (monthly, quarterly and annually). On the other hand, supporting staffs only received feedback during mid-year and annual performance appraisal or sometimes on ad hoc basis.

4.2.4 System Level Organisation Diagnosis – Quality Management System

Results from the Internal Quality Assessment shown that only 35% of the variables rated good or excellent (a mean of 4 or 5 on a 5-point scale), 25% rated satisfactory, 20% rated fair and 20% rated poor.

Under the management responsibility, PHA had demonstrated high management commitment to the development of the quality management system with the aim of enhancing customer satisfaction. Both management commitment and customer focus score 4 points. Unfortunately PHA has not developed any official document on quality policy that hinders the process of reviewing the organization's quality management system. As a responsible and reputable multinational company, PHA 's top management always ensures the product quality objectives meet the local regulatory requirements.

In terms of resource management, PHA provides sufficient infrastructure and work environment to achieve conformity to product requirements. The firm also has satisfactory resources and competent human resource to perform work affecting product quality.

With regards to product realisation, the firm has limited control over the purchasing, design and development as the firm imports the finish goods directly from its manufacturing plants.

The firm does not have a full plan on monitoring, analysis and improvement process needed to demonstrates the conformity of the quality management system and neither a monitoring system to measure the information relating to customer satisfaction. The firm did not review the suitability and effectiveness of the quality management system to determine where improvement of the system can be made.

4.3 TESTING OF PROPOSITIONS

This section summarized the analysis the significant of the 5 types of diagnosis. If the significant column states “YES” which indicated significant deviation of the means, are therefore general critical success factor to the organisation.

Table 23: Testing hypothesis for organisation performance

| | Mean | Upper Limit | Lower Limit | Z obs | Significant |
|----------------------------------|------|-------------|-------------|-------|-------------|
| Self-actuation | 3.00 | 4.74 | 3.26 | -2.65 | YES |
| Actor System | 3.42 | 4.28 | 3.72 | -4.13 | YES |
| Dissipativeness | 3.38 | 4.51 | 3.49 | -2.39 | YES |
| Six Level Organisation diagnosis | 3.45 | 4.19 | 3.81 | -6.43 | YES |
| Internal Quality Audit | 2.80 | 4.49 | 3.51 | -4.83 | YES |

4.4 Critical Success Factors

The results of the diagnosis shown that there are few variables deviated significantly from the population mean (score below 4 points) which has identified as critical success factors for the organisation to improve. Below is the tabulation of the Critical Success Factors derived from the 5 types of diagnosis:

| Diagnosis Type | Critical Success Factors |
|-----------------------------|---|
| Self-actuation | Self-regulating, Self-sustaining, Self-producing and Self-conscious. |
| Actor System | Individual: Self-referencing closure, Altruism, Self-reflective evolution. Generic: Extension and Qualities. |
| Dissipativeness | Action towards deviation, Tendency of form, Internal condition, Referent. |
| Six Level | General environment: Economics, Ecological. Industry structure: Suppliers, Rivalry among competitors, Threat of substitutes, Threat of entry. Strategic orientation: Core activity systems, Human Resource Systems, Measurements systems, Culture. Personal characteristics: Experiences, Abilities, Growth Needs, Educations, Skills, Needs Expectation, Family Needs. Individual effectiveness: Skill variety, Task identity, Autonomy, Task significant, Feedback results. |
| Internal Quality Assessment | Quality policy, Planning, Responsibility-authority-communication, Management review, Provision of resource, Human Resources, Planning of product realization, Design & development, Purchasing, General, Monitoring & measurement, Analysis of data, Improvement. |