

# N-pharma case study

Business



| IB Business and Management SL Ms.

Sawsan's Case Study notes | May 4 | | 2010 | |[Here are the notes that we made for the IB Business and Management Paper 1 May 4th 2010 exam | [Paper 1] | | Good Luck. ] | | Business and Management May 2010 Paper 1 Case Study Business Organizations (Unit 1) 1. Define MNC: i. a large firm that has subsidiaries or unit plans in more than one country, the mother firm is usually in developed nations, and other subsidiaries are in LEDC's 2. Analyze 2 Advantages and disadvantages for a country hosting MNCs Advantages i.

Offer employment opportunities so unemployment decreases in that country ii. Brings in foreign currency which is usually in shortage in LEDCS (as it comes from exports) iii. Transfer of technology and skills of labor

Disadvantages i. Poor working conditions for labor (sweatshops and child labor) ii. Gain political power of the ruling government by threatening to leave the country if some regulations are changed iii. Externalities are not considered (Examples include air and noise pollution) iv.

Try to evade taxes by any chance v. Profit flies back to the home country 3.

Define Subsidiary A unit plant or factory plant of the MNC that is usually located in LEDCs where costs are low (such as wages, land). 4. Why did N-Pharma open subsidiaries in Australia, Canada, Mexico, Chile, Vietnam, South Korea and New Zealand? .

Expansion for markets and proximity to the market ii. Vietnam, South Korea and Chile might be because they have low labour costs 5. Why would a firm decide to open up abroad as a multinational company iv. Cheaper labor (wages in LEDCS are less than those in MEDCS) v. Cheaper land and raw

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materials, therefore low costs of production and economies of scale vi.

Government incentives for such firms such as tax allowances (rent, land) vii.

Transportation costs are cheap (Instead of the US transporting products to Asia, producing there reduces the transportation costs) viii. Expansion of N-

Pharma(open up new markets) (When it opened in Canada and Mexico, it didn't only expanded into those countries themselves, but the Northern

American continent as a whole) ix. Avoid trade barriers which are imposed

by some countries 6. Define the term private limited company (LTD) i. A type of corporate business owned by shareholders (usually family members) who enjoy limited liability 7. Analyze 2 advantages and disadvantages of running an LTD i.

Limited Liability: In the case of bankruptcy, the shareholders will only lose the amount they have invested in the business, nobody can take anything else they own. i. Separation between management and ownership iii.

Continuity is more than in the case of sole owners and partnerships iv. No chances of being taken over like in PLCs v. Involves more privacy than in a PLC as accounts are not published in local newspapers – Disadvantages i.

Selling shares: If any shareholder wants to sell them he should sell them to a member or to someone that each shareholder agrees on ii. They cannot expand by selling stocks into the stock market iii. It's not as easy to take loans as in a PLC iv. Not easy to set up when compared with sole owners and partnerships since there are legal procedures, takes time and money to start up. 8. Evaluate N-Pharma's decision of going public rather than being an

LTD? – You sell your shares in the stock market to the public instead of shares being sold to the existing members only.

- Advantages: o Higher EOS o Easier to get loans from the banks o More access to other sources of finance so capital is greater o Shareholders can sell to anybody and is not limited to the people who already have shares o He still enjoys limited liability o Continuity is more than in an LTD

Disadvantages: o There is a chance of lack of control o No privacy in the accounts o Chance of being taken over (acquisition) o Costly in terms of finance and time (costs to set up) o Relationship between managers and workers becomes less personal so the motivation of workers also goes down.

9. To what extent is N-Pharma considered socially and ethically responsible towards the community? – An obligation beyond that required by the law and economics for firms to pursue long term goals that are good for the society and the different stakeholders of the business (Workers, customers, suppliers, shareholders, government etc. – Testing on animals shows that they do not care about the animals, the environment and therefore shows that they do not care for all stakeholders. They might have some positive aspects but testing on animals might have had a large impact on the stakeholders. 10.

Define Takeover. It is a hostile approach where one firm buys another firm or buys 51% of the firm's shares. This happens either when a firm is close to bankruptcy or when the firm without knowing sells 51% of their shares to a specific firm. 11. Define joint venture: – An entity formed between two or more parties to undertake economic activity together. The parties agree to

create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise.

- Wikipedia - It is an agreement made between two firms to work together on a joint venture (project) without a merger or take-over. 12. Using the PESTLE analysis, evaluate each of the 3 options available for N-Pharma Black: Option 1, Red: Option 2, Blue: Option 3. Factor | Often Comprised Of |

- | Political |- Current taxation policy | | |- Future taxation policy | | |- The current and future political support | | |- Grants, funding and initiatives | | |- Trade bodies | | |- Effect of wars or worsening relations with particular countries | | | Needs approval from EU for a joint venture | | Economic |- Overall economic situation | | |- Strength of consumer spending | | |- Current and future levels of government spending | | |- Ease of access to loans | | |- Current and future level of interest rates, inflation and unemployment | | |- Specific taxation policies and trends | | |- Exchange rates | | | Fear of an economic recession. | | | Inflation rate would reach 4. 1% | | | GDP growth in Europe maximum is 1.

%, less than china but better than Japan | | | Increase in interest rate | | | Low inflation rate in China | | | High Economic Growth | | | GDP is higher than that of the whole world. | | | China is considered the largest market in the world. | | | The market is booming | | | Risky because it is new for N-Pharma | | | A good economical opportunity to merge with Anigam | | Sociological |- Demographics | | |- Lifestyle patterns and changes | | |- Attitudes towards issues such as education, corporate responsibility and the environment | | |- Social mobility | | |- Media views and perceptions | | |- Ethnic and religious differences | | | China's population is greater than that of Europe but Europe

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is greater than that of Japan. | | Strong brand loyalty to already existing consumers | | Needs spending on advertising | | Gaining of Economies of Scale | | Social pressure on the firm as it experiences animal testing | | Population increase is the highest. It will reach 1.

38 billion 2011. | | It is known in China already. | | Life expectancy in China is high. | | Ensure kind of animal welfare | | Acceptance of the people to N-Pharma is good since Anigam has a good reputation in USA and Europe | | Technological |- Relevant current and future technology innovations | | - The level of research funding | | - The ways in which consumers make purchases | | - Intellectual property rights and copyright infringements | | - Global communication technological advances | | R&D Technology might help government's approval | | | Legal |- Legislation in areas such as employment, competition and health & safety | | - Future legislation changes | | - Changes in European law | | - Trading policies | | - Regulatory bodies | | Quality control is not applied in China | | Patent legislation is easy | | Environmental |- The level of pollution created by the product or service | | - Recycling considerations | | - Attitudes to the environment from the government, media and consumers | | - Current and future environmental legislative changes | | Fear of an Animal Testing issue that might affect sales and reputation. | <http://www.marketingminefield.co.uk/marketing-plan/pestle-analysis.html>

13. Define Merger Definition: Two or more firms agree to merge to come together under the management of both. N-Pharma: International merging with Anigam. Conglomerate as it is under “ diversification” and animals form a new market for them.

It is considered an opportunity, merging with a company that has good branding 14. Produce a SWOT Analysis for N-Pharma's 2nd option.

Remember: Strengths and Weaknesses are internal (within the firm) while Opportunities and threats are external. | Strengths Weaknesses | | Customer Loyalty | Animal testing | | Brand name | Pharmatics is bad | | Increase in spending of R&D | Some liquidity problem | | Opportunities | Threats | | Rapid Economical development | Copying by competitors | | Increase in life expectancy | Historic disagreement between China & Japan | | Largest market in the world (China) | No tight quality control which affects reputation | 15. Produce a SWOT Analysis for N-Pharma's 3rd option.

Strengths | Weaknesses | | Customer Loyalty | Animal testing | | Brand name | Pharmatics is bad | | Increase in spending of R | Some liquidity problem | | Opportunities | Threats | | Market is booming for such (veterinary medicines) | Anigam is not well known in Asia | | Anigam has a good reputation | Competition from American companies | | A good economical opportunity to merge with Anigam | | Reducing the risk of bad reputation of animal testing | | 16. Produce a SWOT analysis for N-Pharma as it stands now Strengths | Weaknesses | |- Strong brand name - Customers brand loyalty |- Pharmatics is not doing well in the market | |- Strong R |- Poor cash flow | |- Continuous and accurate product development process |- Unsatisfied workers “ although morale has deteriorated and | |- Large MNC leads to EOS | strike action has been threatened by the union” & “ employees | |- Offers a wide range of medicines | might be left de-motivated” | |- Enjoy high sales and profits |- Leadership styles in some subsidiaries might not be | |- Some products are market leaders (ex. Pharmax enjoys 1/3 | appropriate. | market share) |- Tall

hierarchy causing poor communication | | - High Quality “ Once production begins quality assurance and | - Data is not up to date | | quality control are vital to ensure the continuous safety of | | | the drugs” | | | Opportunities | Threats | | - Diversification (the firm is producing different types of | - Reaction of people from the animal testing issue causing bad | | products and is thinking of entering into the market of animal | publicity | | medication) | - Copying by competitors with cheaper prices (generic drugs) | | - Entering the world’s largest market (China) | - Economic recession “ In October 2008, in one week alone, the | | | value of N-Pharma shares dropped by 25%” | | | - Vulnerable to be taken over | | | - Share prices are going down | Accounts and Finance (Unit 3) 17. What does the term “ poor cash flow” mean? Poor cash flow: Cash inflow is not very high in the business and in the extreme case: it might go to negative cash flow, where cash inflow is less than cash outflow. “ N-Pharma in common with most other start-ups, poor cashflow meant that the early years were financially challenging.

” 18. What might be the reasons behind a poor cash flow, in general, and how could we improve it? Causes of Cash Flow Problems: • Overtrading: Aggressive expansion in the business leading to less availability of money needed to meet its day to day expenses. • Overborrowing: When the firm depends on external finances like loans, so a lot of cash payment (Interest rate and installment) causes a lot of cash outflow. • Overstocking: Opportunity cost of having too much stock is having cash in the business. • Unforeseen changes: (Company, Political, Economical and Social) • Poor credit control: the business sells mostly on credit, also facing difficulties in collecting money (payments).



– big issue to get his money back. Solutions to improve Cash inflow

Problems: Collect faster (increase cash in), pay later (decrease cash out – ex.

: for suppliers) • 80/20 Rule Pareto o 80% of their time increasing cash inflow

o 20% of their time decreasing expenses Firms should limit credit sales,

encourage cash sales – reduce the credit period. o Advantages: get cash

sooner. o Disadvantages: some consumers might prefer to shift to other

competitors who give better credit facilities. ? You can avoid this by giving

your customers incentives to pay faster ex.

: credit discounts. o In certain cases for loyal and big customers it is

recommended that the business considers the debts as bad debts rather

than losing a loyal customer by pushing him to pay. Cash Payments only: the

business sells and collects in cash (to avoid cash flow problems), this

sometimes loses customers who prefer buying in credit. o Disadvantages:

customers might switch to competitors who give credit. • Cheaper Pricing

Policy: only works if the product is elastic o Elasticity: responsiveness of

quantity demanded due to change in price.

Eg. : salt. Elasticity demand = (% change in quantity demanded) / (% change

in price) o Elastic: Elasticity demand ; 1 ... less price, more quantity, more

total revenue. Eg. : four wheel drive. o However, for inelastic products like

alcohol and cigarettes which are addictive, increasing the price will increase

the revenue of the producer.

If the item is luxury it is elastic, if the item is a necessity it is inelastic. •

Improved product portfolio: the company should expand the range of

products it is offering. If one of the products doesn't work the other one will

compensate. Eg: Adidas, chocolate ... o Disadvantage: this will increase the risk in the short run and the cost of the firm will increase and there is no certainty that the cash will increase. o If the project is a total failure it will close down.

- Improved Marketing Planning: when you market well as a business your image in the eyes of the customers will be better and they will remember the product, and this reflects the insistence of the firm to meet the consumers taste. The business can also advertise heavily in times of low sales, either informative or persuasive advertising. o Sometimes in times of recession the business advertises to remind the consumers are still here. Solutions to improve Cash outflow Problems:
  - Seek preferential credit terms: when a business seeks extended credit terms (extend time for paying my suppliers). Either find a new supplier with better credit terms (this can also be used as a threat) o Disadvantage: you need time, money and research to find a new supplier and you might find the same credit terms so you wasted your time, money
  - Change Suppliers: he might be able to offer cheaper prices to my raw materials (cash outflow will go down). o Disadvantages Sometimes cheaper prices mean poor quality which might affect the image of the firm.

? Costly in terms of time • Better Stock Control: hold less stock as they are considered as frozen capital. Usually successful in manufacturing firms as they can use the Just-In-Time method (Only order materials when in demand) o Disadvantages: ? If you have high demand but you cannot access raw materials, you will lose the trust of costumers. ? This will not work for businesses that only offer services (Ex. Hair Salon, Airline Carriers) • Reduce

Expenses: Overheads, wages, rent. However the firm should not reduce if it compromises the quality of the product.

Ex. British Airways removed one olive from the salad that they offer which caused them to save millions) o Some business costs may not be necessary such as ‘ expenses accounts’ for senior executives 19. Define Liquidity How cashable an asset. How easy it is to transfer an asset to cash. The next easiest are the debtor and then the stock Liquidity Problem: The firm does not have enough cash to meets it day to day expenses 20.

How to measure liquidity? Working Capital= current assets- current liabilities  
 If it is +ve (solvent) it can meet its day to day expenses If it is -ve (insolvent) bankruptcy or liquidization Liquidity Ratios Current Assets Ratio • Formula: [pic] • Estimation whether the business can pay debts due within one year from assets that it expects to turn into cash within that year • A ratio of 1 will be safe. 1. 5 is the best Acid Test (Quick) • Formula: [pic] • Test the liquidity of a business • A ratio of less than one will be dangerous 21. Use Suzuko’s finding of financial information in (Appendix 2) to comment on the liquidity position of the US subsidiary of N-Pharma [pic] Current assets= cash + stock + debtors 2008= 750 2009= 766 Current Liabilities= creditors + Short-term 2008= 735 2009= 860 2008 Current Asset Ratio = [pic] 2009 Current Asset Ratio = [pic] It wasn’t perfect but it got worse. In 2008 they were able to pay their day to day expenses but in 2009 it got worse and they can’t pay without selling assets.

2008. Acid Test Ratio= [pic] 2009. Acid Test Ratio= [pic] This test show that the firm is getting worse and that they are not able to meet their day to day

expenses without selling their stocks. Also, the liquidity problem is increasing since the ratio is decreasing annually. Also the acid test ratio is supposed to be 1: 1 and the firm is already in a bad position even before it started to decrease. 22.

Evaluate Solutions available for Suzuki to improve the liquidity situation in their subsidiary in the USA. They should focus 80% on receiving money earlier and 20% on paying later. (Collect faster, pay later) Also they should arrange for an overdraft since a loan is expensive and long-term. Give discounts to customers who pay in cash Pay the suppliers on credit.

Decrease overhead prices. Increase sales revenue by decreasing price if elastic product and increasing price if inelastic product Marketing (Unit 4) 23.

Define the term unique selling point and discuss how N-Pharma penetrated the market It is a USP as it is now looked at globally. Competitive edge as they spend a lot on research and development Goes into the market with a variety of medicines Good quality that gives a competitive edge For example, Pharmax has a share of one third A marketing concept that provides unique propositions to the customer that will convince them to switch brands The factor or consideration presented by a seller as the reason that one product or service is different from and better than that of the competitors'. It has a competitive edge 24. Why Yukio's style is to maintain close relationships with suppliers? a. Better deals i.

Quantity discounts ii. Cash discounts iii. The firm could buy on credit from the supplier i. Ensure that the supplies arrive on time. If not, customer loyalty will be at jeopardy ii.

Ensure better quality of raw materials 25. Evaluate the importance of R in a company such as N-Pharma i. In pharmaceutical industries, R is important in all stages because many diseases might develop and many inventions for these diseases might develop as well. ii. In medicine, R must be done regularly as new diseases happen and there would become some resistances which need to be followed up in the market.

iii. N-Pharma might find market gaps (there is demand, but no supply) due to change in consumer needs and trends of healthier lifestyle. Example: Introducing the anti-aging and anti-obesity. iv. Competitors: N-Pharma needs to be ahead of its competitors in Research and Development to keep its competitive edge.

v. It is an ongoing process, even-though it is highlighted in the stage of development. vi. Ensures innovation vii. As mentioned in line 23, research and development allows for business growth, higher profits and therefore shareholder satisfaction. “ However, R&D is a long and expensive process... launch into the market”.

- Disadvantages i. Costly and therefore the business has opportunity costs. If the firm spends its time on R, it would take time from the other business activities. ii. Time consuming and it is a complicated process (17 years according to line 23) (looking at appendix I, it is a lengthy process).

iii. Competitors might end up creating generic drugs without them doing the research (P. 3 Line 54)A generic drug (generic drugs, short: generics) is a drug which is produced and distributed without patent protection. -

Wikipedia iv. Due to high costs of R, N-Pharma needs to sell with high price (P. 2 L.

25) 26. Evaluate the use of cost-based pricing to a firm like N-Pharma [pic] = average cost per unit Average cost + mark up (mark up: % of profit to be added) Example:  $5+4=9$  JD Advantages – Simple and easy to calculate. – Ensures that the business covers its costs. o The R costs are very high so the cost-based pricing will ensure that they are paid. (P. 3 L.

1-2) – Allows for a certain percentage of profit. – N-Pharma's consumers trust the quality so they will understand the cause for having the high price to cover the costs. (P. 3 L. 4) Disadvantages – The price might not be competitive. o N-Pharma spends a lot on R&D (high expenses) and therefore they have high prices.

(P. 3 L. 53) – Sometimes it is not easy to find out the exact total cost. – If the price is high, sales might go down and therefore less revenue o N-Pharma's prices are high, therefore relating to the case, they might suffer from lower revenue. – Doesn't consider external factors, such as economic conditions in the country o Many people prefer to buy generic drugs which are cheaper (P. 3 L.

53-4) 27. Suggest an alternative method of pricing for N-Pharma (choose one that suits the case) i. Competitive pricing The leader in the market sets the price, others (rivals) will follow. The leader is usually the firm with the highest market share, oldest in the market or the most innovative. o Advantages ? Ensure sales as your price is in line with your competitor ? As

firms have almost the same price, consumers start to look at competing factors (ex.

Quality) o Disadvantages ? Needs greater spending on R&D to know the exact pricing of competitors ? If the prices in general are low, sales revenue and profit will decrease ? N-Pharma spend a lot on R&D so competitive pricing might mean not receiving high profit or even a loss 28. Define Market share and show how we could calculate it i. Percentage of the market that the firm controls as a percentage of the total market or industry. ii. Value i.

[pic] 100% iii. Volume i. [pic] 100% 29. Distinguish between market share and market size i. Size (industry market) ii.

Share (Firm) i. [pic] 30. How can N-Pharma have a lower market share despite its sales going up i. It means that sales went up but sales of competitors and industry went up more rapidly, therefore it is a threat that they are taking over. 31.

Using Boston Matrix identify what part of the matrix does each product lie on i. Pharmax: Cash Cow ii. Pharmaflo: Star (border) iii. Pharmaslim: Question Mark/Problem Child (might be between question mark and dog) iv. Pharmatics: Dog Make sure that the y-axis is Market growth, not business growth.

[pic] 32. Use the Product life cycle to identify the products of N-Pharma [pic]

33. What factors affect the growth of a firm? i. State of economy (Boom or slump) ii. Demographic changes i.

Life style ii. Age iii. Population growth iv. Social trends a. More women in the workforce, the market of prepared meals should flourish iii. Widespread Diseases i.

Swine Flu ii. Mad cow disease iii. Bird flu iv. Technology i. While some businesses boom, others might go through slump a.

N-Pharma: Packaging for certain medication b. N-Pharma: R&D is continuous

34. Is N-Pharma market-orientated or product-orientated? i. Market-orientated is when the business researches the market and the consumers' demands, and from the results, choose what products to produce ii. Product-orientated is when the business disregards the market and comes up with the product without researching the market – N-Pharma: Market growth of Anti-Obesity lead N-Pharma to produce Pharmslim for obesity, supporting the fact that it is market-orientated – N: Pharma: Pharmatics is focused on anti-aging, meaning they are following the market trend (It's rather the business that is called market-orientated or product-orientated, not the product) 35.

Discuss the steps N-Pharma can take when doing its market plan Marketing Plan: document that puts the company's strategic marketing aims into practice. It includes: i. Key marketing objectives ii. Strategic plans: overview of how the objectives are going to be achieved. Objectives need to be SMART iii.

Specific marketing actions: details of the timing and types of marketing activities to be carried out iv. Marketing budget: detailed costs of the marketing activity 36. Suggest an appropriate marketing mix for Pharmslim  
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- The 4P's i. Product a. Branding: Enhancing the brand name They are using the same brand which is a good point because it has a good reputation in the market already. All N-Pharma's products should have unified packaging to help create a brand image for the business b.

Refer to Boston and Ansoff matrix to see where does Pharmaslim fit c.

Packaging Expiry date should be clear and instructions of use as well.

Endorsement of celebrities to attract more consumers (before and after cases). ii. Price They should try to experience competitive-pricing because from the case it is clear that the market is growing and big. iii.

Place N-Pharma should try to sell its products to gyms, nutritionists and pharmacies. N-Pharma should ensure that Pharmaslim is placed at the area within the people's eye sight. iv. Promotion N-Pharma should use above and below the line. Their advertisements should be located in specific places, such as in diet magazines, sport magazines, stands, women magazines and brochures in gyms, family magazines, billboards (before and after) pharmacies (we sell Pharmaslim here).

Sponsorship: N-Pharma should sponsor gym training activities. Sports should be focused on mostly as they could come up with slogans such as (you can look like this). Below the line: buy one get one free, special discounts, giving samples (when selling any other N-Pharma products) and gifts. 37. Analyze the various steps a firm takes when it develops a new product and relate to N-Pharma i.

Steps 1. Brainstorm: putting ideas – workers, customers' suggestions through suggestion boxes, questionnaires, surveys, competitors. As for N-  
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Pharma: Investigating what new diseases are spreading (swine flu, mad cow disease, bird flu) and ask the consumers. 2. Develop ideas: further research or work on the most suitable ones. Screen the ideas and choose one.

As for N-Pharma: Similar to the “ basic research” in Appendix 1 Pre-clinical (for the research part) 3. Create the product: create the prototype (the sample/model of the product – to evaluate your product, see its strengths and weaknesses). N-Pharma should produce a mock model of the real product. (might not be necessarily under mock, but more under R) 4. Test marketing: test the product on a sample of the consumers to receive their comments and suggestions (not on commercial basis). It might tell the business to stop producing the product. The most important step for N-Pharma as they tested on animals which caused plenty of dissatisfaction and disruption.

- Modify your product/service according to the test marketing’s results. 5. Commercial Launch 6. Monitor/Control: is the product still appealing? Do customers still like it? Are customers still in need for this product? How could you improve it? As for N-Pharma: Post marketing studies 38. Produce a position map for N-Pharma [pic] It shows the business if it has a gap in the market (unfilled demand) that it should enter. N-Pharma might have to consider introducing products with lower prices to target a different market and to avoid risk 9.

Define targeting and segmentation Target market: the segment of the market that the firm is concentrating on. Why it is necessary? Segmentation is necessary to find a gap and at the same time each segment will have its

own marketing mix (N-Pharma would promote Pharmslim in health magazines) 40. What type of marketing does N-Pharma use, undifferentiated marketing, differentiated marketing or concentrated marketing? Sometimes you might have different segments in your firm but you decide to do one mass advertising campaign for all. Obesity and anti-aging seem to be segmented, but the other products would suit undifferentiated marketing more. Concentrated marketing might benefit the business as a whole in the long run, as a success of one product gives a brand image to firm. Animal testing brought up a lot of controversy.

To enhance the brand name and to counter argue the animal testing, marketing about N-Pharma's loyalty and its corporate social responsibility is necessary. 41. Draw the Ansoff matrix for N-Pharma's 3 options. | New product | Existing Product | | | 2 (China) | Existing Market | | 3 (Diversification) | 1 (Europe) | New Market | Human Resource (Unit 2) 42.

What might be the major differences in the human resource between small firms and large multinationals? • Communication and personalized relations would be very weak in larger firms and they are more formal. • Longer chain of command will take longer time for decisions to be taken especially if the style of leadership is autocratic as the leader has to be referred to all the time.

- Multinational management is responsible for many subsidiaries. Each of these subsidiaries might have their own specialized human resource package and therefore in one business there might be different styles and strategies.

43. Evaluate the choice of N-Pharma (in Canada) having a tall organizational

structure? i. Narrow span of control: Less persons report to the same manager Managers would have time for their subordinates ii.

Long chain of command More levels that decisions need to go through to reach the person intended. Consequences: • Alienation: Being considered as a number in the firm de-motivates the workers. • Bureaucracy and go-by-the-book policy. (Standardized procedures). Might be looked at as being an advantage as the firm would be more accurate and thus it would ensure consistency but not necessarily flexibility • Rigid hierarchy (no flexibility) • Formal and not personal relations • Morale of workers would go down • Old and traditional 44.

Would you recommend for N-Pharma to go for de-layering? Flat organizations have fewer levels of management while delayering is the reduction in the number of layers of a management hierarchy • The participation of workers in the decision making process is taken into consideration and therefore workers in N-Pharma would be more motivated and productive in the workforce. This will lead to higher profits for the firm • More personalized relations with the consumer • Communication between subordinates and managers is stronger and less formal however: i. Wider span of control i. Slower decisions as everyone is being consulted ii. Frustrating as they might be referred to but not actually taken into consideration iii.

Confusion as the decision making procedure is not clear iv. Flatter organizational structures could relate to everyone and therefore satisfy the cultural differences. 45. Define delegation Passing down authority from the

higher levels to the lower levels of the hierarchy. In N-Pharma, the delegation varied in different subsidiaries depending on the leadership style.

46. Suggest changes that N-Pharma might experience to increase productivity and profitability in its subsidiary in Canada • Change from autocratic to democratic: which will motivate workers more • Use fringe benefits or other non-financial ways to motivate the workers. Susan assumed/knows that Canadian employees respond better to financial motivation. This is considered a generalization Performance-related pay might be suitable • Job empowerment: an empowered individual will have access to decision taken by the firm (democratic) and believe that they could cause change and therefore they are motivated • Job enrichment: when the managers give the employees opportunities to use the different skills that they have. Therefore they become more motivated.

47. Analyze the leadership and management style of Susan James and the implications of this style on N-Pharma • Autocratic i. An autocratic leader is one that takes his/her decisions without consulting at all to his subordinates. ii. Employees are expected to obey the decisions taken by the manager. iii.

The pay and the money usually relates to the X theory because the people in that theory need an autocratic leader. “ She knows that Canadian employees respond well to financial motivation” iv. “ Susan has dismissed requests for greater empowerment. ” v. “ Although morale has deteriorated and strike action has been threatened by the union, she refuses to change her leadership style. ” (P.

4 L. 65) • Her inability to communicate and by the tall hierarchical structure.

- Strengths of this include
  - o Decision making is done faster and less people have to be consulted before small decisions are taken.
  - o Usually the decisions are taken by managers who are skilled. Has a macro picture and therefore sees the big image and all the impacts.

This saves time and therefore enables the business to focus more on other departments and tasks.

- o There would be a criteria for how employees should work (as it is set by the general manager)
- i. Weaknesses include
  - o Workers would feel alienated and that they are not part of the team.
  - o Workers become de-motivated and therefore productivity decreases
  - o Communication and relationship between management and employees is poor.
  - o This style is not suitable for skilled workers.
  - o In N-Pharma, the fact that Susan has dismissed requests for greater empowerment suggests that it is the key reason behind the de-motivation of the workers.

Perhaps, if she re-enabled the requests, they would demonstrate to the business new ways that can benefit the human resource department. 48.

Analyze the advantages of flextime and teleworking on N-Pharma in Australia

- Continuous hours that can be chosen by the workers. (For example, the worker needs to work 8 hours so one chooses to work from 8 to 4, and another might choose 12 to 8. Teleworking is working from out of home.

- Advantages
  - o Flextime reduces presenteeism (the measure of loss of productivity when the workers come to work and but do not actually do the expected work) and absenteeism and staff turnover (workers can now choose when to leave and therefore see their kids or etc...) Expenses

decrease as the workers don't need a desk, chair and other items that they needed when they worked at the office. Overheads and utilities like electricity and heating costs will decrease when the workers don't come. – o Worker is comfortable in his environment o Better social life with the family o Disabled workers and ones who are suffering from racism would rather work from home o Increases leisure time o Reduces stress, illness, and injury – Disadvantages i. Communication is lessened (too formal relations) ii. Security is at risk (hacking of system) iii. Management mistrust (documents might be leaking out of the firm) iv.

Co-worker jealousy v. Boredom 49. What factors should be taken into consideration when deciding the leadership styles i. Type of employees ii. Skills of employees iii. The personality of the leader himself iv.

Nature and size of the firm (transnational or not) (primary or secondary or tertiary) Operation Management 50. Would the adaption of Kaizen approach improve the image of N-Pharma? Kaizen makes sure that the firms products are perfect and therefore the stakeholders find out that the firm is ethically responsible and therefore make the stakeholders forget about the animal testing problem Continuous improvement which shows that the human would never be affected It might be a solution to counter N-Pharma's animal testing issue Appendices Appendix 3 – Economic data as at January 2010 (Page 9) Comments: a. Notice how the global conditions affected the world trade volume from 2007-2009 due to the credit crunch b. In 2011 it seems that trade will enhance and hence they forecast a better world trade volume c. SWOT: Opportunity that the interest rates are decreasing as there are lower rates on bank loans.

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d. In PESTLE, it is good for Economic conditions. Real GDP growth (% change from previous year) e. The world economy will recover and the world GDP will increase f. This shows N-Pharma its opportunities and its threats.

Increasing = opportunity and vice versa) g. China seems to be the most stable as it has economic growth all through the years. Therefore in option 2 this is an opportunity. h. Europe as a whole is option 3 i. Inflation: general increase of price in a country over a period of time.

This acts as a threat. However, it doesn't seem that there is inflation. j. Increase in population is an opportunity as it might mean more consumers AND greater labor force. Appendix I: Importance of each step for pharmaceuticals and drugs Comments: a.

2-3 years of basic research is very important for medicines. b. Open the given link [http://www. eisai. co.](http://www.eisai.co.jp/eir/eindividual/eknowledge.tml)

[jp/eir/eindividual/eknowledge. tml](http://www.eisai.co.jp/eir/eindividual/eknowledge.tml) 1) Basic Research (2-3 years) During this period, new substances (candidate compounds) or ingredients that have the potential to become drugs are discovered or chemically produced and evaluated. (2) Pre-clinical Research (3-5 years) The efficacy and safety of candidate compounds are evaluated using cultured cells and animals. (3) Clinical studies (3-7 years) During this phase, the efficacy and safety in humans of the candidate compounds that passed the pre-clinical research phase are confirmed. The following steps are performed at hospitals and other healthcare institutions on individuals who consent to participate in the clinical trial. [p][pic]Phase I | | ic | | ] | | | | [p] Generally, safety including possible side effects is confirmed on a small number of healthy individuals.

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Phase II Effective and safe doses as well as administration methods are confirmed on a small number of patients. Phase III Efficacy and safety are investigated on a large number of patients by comparison with a placebo or existing drugs. (4) Application for Approval and Review (1-2 years) After the efficacy, safety and quality of the candidate compound are confirmed, an application is submitted to regulatory agencies such as the Ministry of Health, Labour and Welfare in Japan, and the agency conducts a review. (5) Approval and Sales Approval to manufacture and market the drug is obtained after going through a regulatory review. The methods for determining the price of the drug vary from country to country, but in many cases, the government determines the price.

In Japan, the categories and prices of prescription drugs that are covered by national and social health insurance are determined by the Ministry of Health, Labour and Welfare in accordance with a drug pricing standards system. (6) Post Marketing Studies: Phase IV Information concerning adverse events that can be discovered only after a drug is used by numerous patients at healthcare institutions, as well as information concerning appropriate usage, is continuously collected. This information can be used for subsequent improvements as well as to provide hints for future drug development. Note: This has been revised and will continue to be revised by the authorized group only! ———— Pharmatics Pharmax Pharmaslim Pharmaflo Pharmax Boom: is typically characterized by an increased level of economic output, a corresponding increase in aggregate demand, rising employment, and often, a rise in the inflation rate. Slump: A crisis that

spreads consumer and company loans, and pushes up defaults (non payment rate) sharply x- axis price y-axis quality Pharmatics Pharmaflow Pharmaslim Should be made for each product but in the case of N-Pharma, the products would be very similar in general. (expensive and high quality).

N-Pharma