

# Environmental impacts on pfizer business operation commerce essay



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The operations management is involved in all types of organizations and it is considered as a core value of the organization. Business is a typical field where operations management fits in. However, several other fields require good understanding of operations management such as industry, Healthcare, education, and governmental sectors. The scientific background of these sectors is quite different from each other but the managers in these fields usually share same management qualification.

The pharmaceutical companies always reflect the field of science and rarely been thought of their highly demand of operations management. Sales and researches are the main activities in pharmaceutical companies which require certain procedures to be carried out in a specific sequence. Despite its scientific background, pharmaceutical companies' procedure would reflect the operations in this type of organization; thus, managing these operations are highly demanded to avoid errors.

Pharmaceutical companies are one type that host scientific from several backgrounds. Despite its necessity for high sales achievement, pharmaceutical companies aim to keep their image as a trusted source of information and adding values to the health care culture. As a result, operations in Pharmaceutical companies require indeed a high level of operation management, and challenges that apply to organizations in the business field are applied here as well.

Operations management consists of several aspects such strategy, process design, planning and control, supply chain management, and improvement which could be applied on the laboratory work. However, the current study

will emphasis only on three aspects related to operations management, which are IT and decision making, performance measurements, and productivity, in the Pharmaceutical companies.

Pharmaceutical companies now face a lot of challenges which need more agility to react properly with. Many of those problems are external and unpredicted as what is going to be discussed later.

## **Literature review**

### **Information Technology (IT) and Decision Making**

The emergence of Information Technology (IT) as most efficient tool made the communication, monitoring operations and performance, and managing data easier than before. Sometimes it is used as a product delivery medium in software developing companies for example. As consequence, it becomes a powerful for tool that influences the decision makers for its accuracy and clarity. Numerous researches have been carried out that showed the significant influence of IT on the decision makers. This section will covered various aspects related to IT and decision making in different type of organizations.

One obvious example of using IT is the internal communication within an organization. Anderson carried out hypothesis testing research to study the effect of enhanced telecommunication capability on performance while practicing improved strategic decision making and improved coordination of strategic actions. The study investigated the influence of internal communication by using computer networks (Intranet) and external communication through (Internet). The investigation was associated with two

strategic decision making approaches (autonomous and participatory) alongside the strategic planning. In order to assess probable environmental contingencies, two different industrial settings that are characterized by low and high levels of dynamism and complexity were used to test the relationship. The use of intranet showed positive association with innovation in less dynamic and complex industries. Whereas internet use indicated positive association with profitability and innovation, but companies following participatory decision approach. On the other hand, the combination of intranet usage and autonomous decision approach was found positively associated with high profitability and sales growth in highly dynamic and complex industries. The combination of internet usage and participatory decision making was found positively associated with higher innovation. Finally, the study revealed that using both internet and participation are highly related to innovation in general. Also, use of Intranet and autonomy has a positive relation with the economic efficiency in dynamic and complex industries.

The effect of IT in term of network speed was found to influence the decision making of medical personnel. Networking specialists execute an empirical investigation by constructing testbed to control the network impairment levels. A video obtained from a medical institution was used as well as physicians who evaluated the contribution of video quality to their diagnosis. Despite the utilization of one video and small number of physicians, investigators concluded that medical decision making capability are dependent on video frames instead of overall video quality. Internet . The

study was able to show the significant effect of one small aspect of computer networking on the decision making of medical personnel.

The effect of IT on strategic decisions in the industrial companies was studied. Executives from thirteen companies in The Netherlands and in Germany were interviewed. Information about decision process followed in thirty two recent decisions . Executives found to apply a rational approach while collecting and using ample information. The structured decision-making process undergoes number of distinct phases before decision is made. The necessary information gathered by IT increases confidence and reduces uncertainty. Authors stated clearly that circumstantial evidence was obtain about changes in the decision making process. The underlying causes of these changes were regarded to developments in new information acquisition and analysis methods, ex. Internet use became common practice. The study revealed that with more relevant information available, decision making process can be controlled efficiently in addition to facilitating rational decision making.

The necessity of IT is not restricted to industrial or business firms, the role of information delivery enhances decision-making capabilities of Indian farmers within Indian Tobacco Company's, e-Choupal initiative . E-Choupal implemented information & communication technology (ICT) to increase information deliver among farmers in different areas. On various agricultural practices across the agricultural supply chain, users of e-Choupal significantly show better decision-making aptitudes compared to non e-Choupal users. The study emphasizes the importance of designing

information & communication technology (ICT) which enables information systems to suit different socio-demographic groups.

It is obvious that implementing up-to-date applications in business firm become a priority in highly competitive market. Business environment remain changing every while and required modifiable and scalable IT application to adapt itself instantly when it is required. Often, a dramatic change in market environment requires essential system upgrade. However, decision for investing in system upgrade sometimes remains tough task for managers in term of cost and time to upgrade. Mukherji et. al. clarifies a decision support model able to determine the optimal time and choice of upgrades. Their analysis confirmed that feasible continuous upgrading is not always optimal strategy when the cost is significant. They suggest that necessary upgrade has to take place after measuring the gap between current technology and new technology. As the gap increases and reaches a critical threshold, system upgrade become essential and company priority.

## **Performance Measurements**

In its general meaning, performance measurement is action of measuring and evaluating particular process of the entire operations' performance. Therefore, organization's performance is most important concern for stockholders and company owners. This activity is a helpful tool to know how effective the current operations are as well as how much the organization meets the market demands. Performance measurements vary according to the organization field. Some measurements are very critical at particular organizations and useless in others.

A literature review was performed on supply chain performance measurement recommended the adaptation of partnership development, collaboration, agility, flexibility, information productivity and business excellence metrics in performance measurement system. The study indicated further research is required as the environment of this business is changing . Along the same way, most of performance measurement systems practiced is proposed to improve the productivity only. As a result, managers utilize insufficient measures to increase performance, which in turn does not reflect the reason of using this tool. Developing a performance measurement remains challenge. The desired performance measurement system needs to serve both purposes, improved performance and accountability .

The human factor was found to play a significant role in improving performance. In practice, performance measurements serve the higher level managers who monitor the overall organization and therefore draw the suitable strategy. Involving managers on the operation level showed a significant impact on performance. It is the consequent enhancing the employees” beliefs in performance measurements system and the commitment of operation managers to performance improvement . Authors adopted a developmental approach for performance measurement based on five principles. Among these, building on employees’ professionalism, transparency and employee ownership, and outside facilitators were more toward employees and leadership rather than measurements themselves.

**(I advise to remove the below part as Pfizer R&D is only in USA & Europe and not relevant to the focus case of Pfizer Gulf States)**

### **Performance Measurements vs. R&D**

In the field of research and development (R&D), defining performance measurement system is very critical and was found to be challenging mission. It is still uncommon among R&D organizations. Avoiding the under or over estimating performance is more important issue when it reaches decision making level and motivates people in R&D companies. Designing effective performance measurement system properly found hard to achieve and was regarded to the lack of intensive studies in actual context, such as pharmaceutical research field in a biotech company . In healthcare organization, selecting an appropriate performance measurement system is still unresolved issue. One study suggested that performance measurement system has to be sensitive to both changes in the external and internal environment of such organization . Authors proposed a framework that measures performance from both multi and interrelated perspective, specifically effectiveness, flexibility, and efficiency.

An early effort seeking a proper definition for performance measurement system for R&D activities took place but it was very difficult. The most likely reason is the uncontrollable factors which influence the measurement elements used and hence delay the assessment. These studies was focused mainly on performance measurement such as dimensions of performance to be controlled and the metric measurement of such performance . The drawback of these studies is the ignorance of managerial and organizational



meaning of each measure. Taking them into consideration would allow an appropriate use of each measure. This approach will lead to better R&D performance analysis with respect to the organization's strategy. Later, Kerssens-van Drongelen and Bilderbeek applied the same idea using Balance Scorecard (BSC) to R&D, a performance measurement method that link all four measurements to each other and was suggested by Robert S. Kaplan and David P. Norton . In general, numerous attempts was found in the literature suggest that efficient performance measurements depend desperately on the type organization and should take its internal and external environment into account.

## **Performance & Productivity Measures**

In principle, productivity is a measurement that used to evaluate the performance. It is necessary to implement various processes in performance measurement but it is more important to include at least one process that has a significant influence on the productivity. They are quite linked to each other and derive confusion often. Performance measurement is highly demanded when goals achievement is under assessment in the top managerial level. It illustrates how efficient the resources are used so it has high impact on the company overall.

## **Productivity**

Measuring productivity is a challenge and is a result of many factors contributing separately or together. A ratio of output to input is a basic measurement company performance. Thus, variety of ratios can be defined based on the measurements type such as physical or financial terms as well as type of resources implemented in performance assessment . A ratio of <https://assignbuster.com/environmental-impacts-on-pfizer-business-operation-commerce-essay/>

current output to current inputs will yield the production technical efficiency. A ratio of current outputs to the maximum possible outputs for a given set of inputs will yield the production cost efficiency. A ratio of current inputs to the minimum possible inputs for a given output level will yield the production capacity utilization efficiency. Therefore, the relationships of productivity propose that productivity ratios are interlinked with various internal processes. It is influenced by the mixture of input factors.

Input resource is a combination of capital, labor, etc. and every type of resource has its own effect on productivity to a certain level. Likewise, non-production labor (e. g., product designer, engineers, administrators, and quality inspectors) was found to have a value in manufacturing plant's productivity. However, a comparison of the effect of non-production labor with other input resources was not investigated deeply. As a result, lacking the understanding of individual input resources affect might lead to mismanage resource investment hinder the growth of productivity afterward.

In this manner, a study was conducted to examine relative elasticity of three input resources on factory productivity (production workers, non-production workers, and capital equipment) away from comparing relative productivity levels . 508 samples from 16 countries were used in the study. Authors developed three hypotheses:

- Non-production workers or capital equipment, have higher elasticity than production workers in most countries studied. This finding suggests factories studied are more automated and require non-production workers to support output.

- In developed countries, concentrating the investment on capital equipment showed a significant impact on output, which means that improved productivity is a consequence of improved capital investment.
- Some countries have higher levels of non-production employee elasticity than other countries.

How do you measure the productivity or evaluate the total performance in an organization of professional functions such as purchasing, accounting, personnel, and data processing?

## **Operations Challenges**

### **Pfizer Inc.**

Pfizer was founded by Cousins Charles Pfizer and Charles Erhart in 1849. Since that time, it has remained dedicated to the discovery and development of disease treatment and healthcare improvement. The company focuses on meeting the world's diverse health needs and continually evolves to keep pace with the needs and expectations of its stakeholders and society as a whole. The production of Penicillin, Pfizer Helpful Answers, and Medicine Safety website are strong evidence of Pfizer's flexibility.

Pfizer's Executive Leadership Team is the company's senior-most leadership and decision-making body. It brings together top leaders to focus on major financial, strategic and operational decisions. A series of decisions has been made by this team which provides extra evidence of Pfizer's high flexibility management. One example is the establishment of two distinct research bodies, Pharma Therapeutics Research & Development Group and

BioTherapeutics Research & Development Group. The decision was made to maximize new opportunities in biomedical research, and bring more innovative medicines to more patients more quickly. Pharma Therapeutics Research & Development focuses on the discovery of small molecules and related modalities where BioTherapeutics Research & Development Group focuses on large-molecule research such as vaccines.

Pfizer has also developed an enhanced commercial operating structure and has nine diverse health care businesses: Primary Care, Specialty Care, Oncology, Emerging Markets, Established Products, Consumer Healthcare, Nutrition, Animal Health and Capsugel. Each of these businesses is managed by an executive who has strong accountability through the entire processes that start at product development level to proof of concept followed by providing access to patients all the way to the end of product life cycle.

The businesses are supported by resources to pursue attractive growth opportunities and to deliver benefits to everyone require certain medications around the world.

The strategy was made to enable rapid investment on opportunities which would develop the business in turn. The strategy was focused on supporting new successful medicines, increasing partnerships with key customers, entering co-promotion and licensing agreements, investing in new technologies, and acquiring new products and services from outside the company.

## **Environmental Challenges & Pfizer's Evolution**

Product uniqueness was the cornerstone of pharmaceutical product success but the whole environment has been changed. The high competition and patency expiration were the most underlying causes the recent dramatic changes in pharmaceutical market. For example, Lipitor & Norvasc, the widely used medicines for cholesterol & hypertension, is not restricted within Pfizer anymore. These changes placed a huge force on Pfizer to move from a Product Focused company to a Customer Focused company. This mind shift was clearly reflected on the strategies as well as plans & operation, which will be discussed shortly in the following context:

Information technology & its effects on operation decisions

Performance measurements which satisfy all stakeholders

Performance & productivity measures & its framework

## **Pfizer's Operations and Current Challenges**

### **Information Technology and Decision Making**

It is very crucial for Operations Managers to have clear, consistent & reliable data to be able to make right and precise decisions. The role of IT is to make these data manageable and usable rapidly and accurately. Accordingly, decisions are usually about budget setting, processes, performance improvement, and revenue analysis within the company. Many examples would illustrate the importance of IT in Pfizer:

1. Business Technology Department: The information technology solutions unit.

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2. Weighting Matrix Project: Customer targeting -segmentation program.
3. e-SMART: Sales force comprehensive reporting system.
4. Gulf States Portal: A Portal where all the different aspects of the commercial activities (Sales, Marketing & logistics) executed are analyzed together to measure our ROI.

### **Performance Measurements:**

A set of performance measures was used by the company to monitor the daily and the short term and long term performance. It ensures how close the company operations are to the right track in terms of achieving the strategic objectives resources usage. These measurements consider all the stakeholders. Performance measurements are dubbed Key performance Indicators or KPIs. The KPIs is helpful signs for an operations manager in Pfizer Gulf States to judge the operation and pinpoint errors.

Pfizer's Performance Measures:

- Financial achievements: Evaluate revenues and profits of short and medium term and monitor sales and overheads to ensuring they match the plans.
- On time commitments achievements: in terms of on time supply to the accounts and on time payments to the internal suppliers and on time payments of salaries and expenses of the employees
- Consistency of performance in the operations: Observing fluctuation in the performance.

- Budget restricting processes: The company operates within the budget or not?
- Risk and change management: plan the company response to risks or changes
- Clear guidelines for the operations: clarity of the processes in each department i. e. criteria of hiring people and qualification of people recruited
- Discipline of the company employees: in terms of in and out timings, and their complying with the values and ethics of the company
- Optimization of the company design: Evaluate the company structure to estimate the future needs i. e. establishment of key account management department
- Data reliability: evaluate data reliability and accuracy

### **The need for a performance measurements framework:**

Performance measurements are all interrelated and interlinked with each other, so they are all encompassed together for achieving the goals.

## **Analysis of the Operation Challenges**

### **Information Technology in the Operations Decision Areas**

#### **Business Technology Department**

Offering innovative IT solutions improved the performance of several processes and helped in achieving the overall Pfizer Gulf States objectives.

Developing an automated dash board where all the data (sales, consumption & stocks, and market data) are encompassed on regular basis to enable both

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operations manager and senior managers make the right decision forecast. It allows a rapid response to any risk or change before it virtually harms the performance.

## **Weighting Matrix Project**

It has an essential role in stating the concept of (customer focused) company. The system filters the costumers to different layers by weighting them according to coverage area and value of investment. The system then suggest particular layer to be focused on.

## **e-SMART**

Reporting system enables all the operations processes of the field force (sales teams) to be reported. The system delivers and analyzes both field force activities performance and feedback. It enables senior managers make their decisions about operations' reforms or changes.

## **Gulf Portals**

The latest innovation of the company is the Gulf Portals that evaluate the performance of the operation processes. Gulf Portals is deep analysis achieved by comparing directly the input of the company to the output. Gulf Portals receives all the information about the number of visits, and number of activities & investment per account, Then it compare those data to the revenue of each account. For example, if a sales person has 2 accounts A & B, and he spent 2000 visits equally for those account annually. Account A achieved 30% of the total budget, while Account B achieved 70%, so was that the optimal exploitation of the time & effort? The answer is no, hence we need to reallocate visits between these 2 account, and the same is true



regarding any other resource. So, it's a matter of reallocating the company resources for a better outcome.

## **Performance Measurement to Satisfy Various Stakeholder Groups**

According to Pfizer operations manager, KPIs has to be a real measurement for the job description of operations manager as it is summarized below:

- Participating with senior managers in plans setup, forecast and budgets
- Aligning the resources of Enabling Functions (HR, Finance, Logistics and IT) with the opposite part (commercial parties) of the Core Functions(Sales, Marketing and medical)
- Facilitating decision making related to employees, investments and strategies in all the departments
- Continuing improvement of the process
- Re-engineering the company design when needed to cope with changes and risks.

Performance objectives or KPIs has to satisfy all stakeholders, internally and externally, for reasons shown below:

Financial objectives are vital to satisfy the senior managers and external audits because every business will end up with the level of profits. Moreover, on time commitments is a common interest for all stakeholders such as employees, senior managements, internal suppliers and customers which become priority according to customer focused strategy.

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Senior managers concern is performance long term consistency and prepared for market dynamics. Reducing the operation cost will increase the net profit directly and will satisfy the senior management and the audits. Having clear guidelines to follow and to minimize errors may occur within the operations. Discipline of the employees is a good indicator the people compliance inside the company to the rules and strategies applied.

Company design is a crucial issue for reacting with the changes. For instance, new regulations in the market, based on new policies and cost cutting, gave Pfizer an indication of the necessity to establish new department called (Key Account Management) to focus on the key accounts and to secure the business. Reliable data is the basis of any successful plan and determining the achievements also needed by stakeholders.

### **The Need for a Performance Measurements Framework**

Productivity is part of performance measurements as it is the ultimate goal of the company. The direct link between each performance measurement and represented productivity measurement can be noticed.

Financial achievements: improvement in achieving financial goals is an indication of productivity increment, the more Pfizer achieves goals with cost effective the more its productive

On time commitments achievements: on time commitment allows more product consumption and prescriptions loss. It increases the demand and the sales consequently. More Commitment with suppliers will force them to be restricted to time frame which enables smooth steadiness supply to maintain

Pfizer's productivity. Along the same way, employees will become more  
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motivated to achieve their target, which is a very important element for improving productivity.

Consistency of performance in the operations: Consistency ensures high productivity level and avoids backlog. For example, satisfying the customers' demands and expedite their shipments by increasing performance of some products would help increasing sales.

Budget restricting processes: complying with budget is certainly a synonym for doing the best cheaply. So, restricting with budget leads to optimum use of the resources and ends up with increasing the profit.

Risk and change management: It reflects the reliability and the agility of the company to react properly to any change or risk to keep the company productive and profitable constantly. That is, fast reaction to the exclusion of one product from Health Authority Formulary will help the company to return it to the Formulary after two weeks only to secure the business.

Clear guidelines for the operations: Understanding operations' guidelines is critical to do the job correctly within time frame to reach high level of professionalism. Along the same way, it minimizes errors and failure in the operations, reduces the cost, and raises performance and productivity. For instance, setting up a criterion for marketing approvals prevents time and investment loss.

Discipline of the company employees: According to Pfizer ethics and laws, employees' discipline minimizes errors and reduces loss. if a product manager put an off-label indication for a medicine in a campaign, the

company will be entitled to millions of dollars as a penalty. Also ensuring that employees effort will be reflected on the productivity.

Optimization of the company design: A proper design maximizes the use of human resources. The recent restructure of business units in Pfizer to serve customer focused strategy showed better performance and productivity. Also creating new departments helped the company in maintaining business growth, such as the key account managers dept. which allowed the company to build relationships to the decision makers in the market.

Data reliability: data can be used to show an adequate description of productivity and performance; however, it demands high level of accuracy and consistency to give the company a clear vision to current situation.

Finally, we can say that performance measurements are closely related to the productivity so that to achieve the company goals. The need for clear framework that includes satisfaction of the internal and external stakeholders was achieved by Pfizer's management (see figure 1).

Figure 1. Performance Measurements used by Pfizer

## **Conclusions**

## **Comparison of Case with Theory**

## **Information Technology and Decision Making**

Pfizer Gulf States has improved its business operations in the past two years through the utilization of tailored IT solutions to fit in pharmaceutical industry in the Gulf. Considering customer centricity, the operational decisions which was made to expose both resources and established projects

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to the right customer within precise program was successfully achieved.

Managers utilized right applications that were fed with data about the market which interpreted significant information about the market demand and business opportunities.

The holistic approach application analyzes sales, projects, and competition performance data to retrieve clear guidance for operations managers. The integration of this approach highlighted areas where alignment across different functions is required. Therefore, it ensures successful execution and customer satisfaction for service and value added programs

### **Performance measurement to satisfy various stakeholder groups:**

The satisfaction of the various stakeholders has been always the prime objective of the executive team in any successful organisation, especially in pharmaceutical industry. Hence, the operations managers are always keen to have clear KPI to both internal team members and relevant stakeholders. These managers ensure successful execution of the different tactics corresponded to the relevant strategies to meet the company's objectives.

At Pfizer Gulf States, as a part of the Pfizer Global company, various stakeholders within Pfizer Africa Middle East leadership team expect clear KPIs that ensure operational objectives along with the overall business objectives. These KPIs focus on measuring the level of employees' engagement with clear metrics every year. Therefore, proper evaluation and continuous improvement to employees' performance.

## **The Need for a Performance Measurement Framework**

In matrix structured organizations, ensuring alignment across all functions working together to create & deliver the service or product is vital for business success. A framework of KPIs and productivity measures has proven to be with a synergic effect on business revenues in Pfizer Gulf States. Working on growth opportunities which was sought out from the market potential is linked with clear framework for the KPIs. This clarity enables operations manager to make adjustments and follow up easily.

## **Recommendations**

With no doubt, IT showed positive impact in operations within Pfizer Gulf States. Nevertheless, it indicates the success of movement toward more innovative approaches in utilizing IT with more concentration on customer information. Basically, it analyzes costumers' data for