

Business functions, exam report assignment

[Business](#), [Management](#)



Pharmacy is errantly holding a moderate part of the Croatian market focusing on its two generic products. Recent offer to expand its portfolio by adding three new (high-end) products and taking responsibility for regional distribution has created an excellent window of opportunity to accelerate company's growth, acquire new markets and generate great value for its investors and shareholders. This document analyzes various issues and items that will have to be addressed in order to achieve desired growth and market position. Key management functions Existing management and operational functions in Pharmacy have been designed n accordance with the existing business model, enabling our company to run slim and efficient operations, resulting with low operational expenditures (APEX), low cost of production and optimized supply chain. Using our strong position in Croatia we were able to build on long-term relationship with distributors and private pharmacies, thus reducing overall cost of sales (including costs of marketing, sales force and advertising).

Keeping our business model slim and mean allowed us to extract excellent profits for our shareholders. Pharmacy existing organization Truckee is optimized for above described business model, featuring four crucial sectors, with Operations and Supply historically being the biggest ones (see figure below). Figure 3-1 : Pharmacy existing organization chart. By accepting the expansion offer, Pharmacy will have to substantially redesign all of its management and business functions, with highest impact aimed at our Operations (Manufacture and Distribution), Marketing & Sales and Supply sectors.

Total growth of the production volume will require substantial expansion of the manufacturing, distribution and supply capabilities, while geographical expansion will require increase of the marketing efforts and headcount increase of the sales force. Company's headcount will grow over time, affecting existing company's social profile. Furthermore, our mission, vision and goals will change in order to accommodate transition from the national into regional pharmaceutical player.

Table below discusses expected impacts on relevant management functions of the 4/18 Management Function Strategy Management Directors. In light of new challenges caused by planned expansion company's strategy will have to be revised. A body of Advisors to the Board will be assembled, consisting of senior experts from areas of Sales & Marketing, Operations, HRS and Finances. Advisory body will assist Board with creation of the new Strategy and Business Plan. Strong strategy plan will be crucial in attracting investors and other stakeholders into supporting Pharmacy expansion.

First short-term goal of the strategy management function will be to evaluate Pharmacists position in the market and to define a differentiation strategy. HRS function will face a major impact due to planned growth of the company. It will have to handle both increased employment in Croatia, as well as to facilitate regional employment. Also, HRS will have to focus a great deal of its efforts on facilitating changes in company's culture, in accordance with newly defined mission, vision and goals.

Financial function will have to revise its accounting and financial methods and policies in order to cater for increased production, supply and sales. As

company is growing into regional player and opens offices and operations in the surrounding countries, finance function will have to accommodate accounting specifics of various countries. Marketing & Sales function will be given a more important role due to a need to support geographical expansion and introduction of new products. Company will have to expand its sales force (Sales Representatives) in order to facilitate net sales expectations.

Operations of Pharmacy are divided into two major silos – Operations and Logistics & Procurement. Planned growth of production, coupled with introduction of three new products will have a large impact Operations organization, processes and size. In order to cope with new challenges Manufacturing will have to implement additional production lines, Medical Operations will have to take on new responsibilities due to introduction of new products and expansion of regulative activities, Supply have to renegotiate deal with suppliers and search for new suppliers etc.

Human Resource Management Financial Management Marketing & Sales Management Operational Management 5/18 Impact of the change Pharmacy is about to enter into regional expansion, increasing its production and size of organization. Building of additional production lines, or even new factories will have to be done in accordance with environmental laws of Croatia or any other country where production is about to open. Also, due to importance of the environmental policy in modern society, new sector, Marketing and PR, will have to take particular care regarding public perception of the Pharmacy as the environment-aware company.

Social aspect will also have to be monitored and handled, especially due to company's desire to attract capable workforce. As Pharmacy aims to become a strong regional pharmaceutical player, external relations with various stakeholders will become more complex and more important. Marketing and PR will have to be more empowered and strengthened to be able to cater tradition public-related issues, as well as communication with other takeovers such as government bodies, shareholders and investors, etc.

Relationship with external licensing partners will also be of utmost importance in order to benefit from partner's experience and existing supplier/distributors' network. External Relations Management IS/IT Management Growth of the company will be proportional to the growth (both in size and complexity) or the IS/IT Management area. Multiple geographical locations, international operations and increase in company's size, as well as introduction of new business processes and technologies. Although IS/IT function will remain as the art of the Corporate Support Functions, its importance will grow.

In order to accommodate emerging changes in Pharmacists business and operational plans, organization will change, lifting several management functions into stand-alone business sectors (units). Such move will add more sector managers into Board of Directors, allowing management functions recognized as critical for company's growth to obtain a direct vote at the executive levels. Figure below illustrates proposed organization of the Pharmacy, ready for regional expansion. 6/18 Figure 3-2: Proposed future organization of the Pharmacy, capable of supporting

Medical operations will feature strengthened Development & Formulations, Medical Affairs and Regulatory Affairs functions, whose performance will be essential in reforming Pharmacy into strong regional player. Due to Pharmacists strategic focus on generic medicines and products there is no need for establishment of a stand-alone Research function since there are currently no plans (nor available funds) to venture into field of drug discovery. Pharmacy will instead focus on development of 5 base products, possibly improving existing formulations and possible expanding product portfolio through evolution of the base products.

18 3 Key challenges for business functions

As discussed in the previous chapter, Pharmacists management functions (and relevant business functions) will face a number of challenges during company's planned transformation from minor Croatian pharmaceutical company into a regional player. Every business function and entity will have to adapt to the change, with three major items being: Growth of production, both in total volume as in number of distinctive product lines (5 in total). Increase in number of employees. Regional operations – multi-country environment.

Following sections present a non- exhaustive list of key challenges and risks that the company will face in each aspect of its main business functions in future.

3. 1 Strategy Business Function Strategy Management

is tasked with creating (or adapting) company's business plan, redefining company's mission, vision and goals, well as redesigning company's blueprint and evaluating company's market position (using SOOT, Five Forces and similar tools). Key challenges for SMS function will be: Update of mission, vision and goals of the company in light of expected expansion and growth.

Designing company's expansion strategy. Will Pharmacy go with organic growth only or will it attempt to raise capital for acquisition of another company suitable to fill its growing needs? Build a coherent and "sellable" Business Plan, able to show vision of the company's future and present realistic financial plan (forecast of costs, net sales and cash flow). Re-organizing and efficiently growing Pharmacy from the small Croatian changed management functions into living organization. ND business Defining Key Performance Indicators to measure efficiency and performance levels of each business function and organizational silo. 8/18 Defining management of stakeholders (investors and shareholders, Board, public, employees, license owners). How will they measure company's success (profit, margins, return on profit, number of new employees, net sales, production volume etc.)? Investigating and evaluating company's market position including SOOT analysis and Five Forces analysis 3. 2 Human Resource Business Function (HERB) Company's growth will have a decisive impact on the HERB function.

Influx of new employees will require strong and efficient HERB policies, capability of efficiently assess quality of the potential employee, to facilitate its competence development and social integration into company. HERB is also responsible for assisting line organization with managing company's culture, which will be challenging assignment in the future. Key challenges for HERB function will be: Designing and implementing new recruitment and assessment processes and procedures, in order to facilitate increased staff requirements.

Ensuring compliance of the recruitment process with employment policies of target countries. Pharmacy has to avoid any discrimination in its recruitment policy and procedure. Redesigning remuneration policy in order to facilitate increased pressure on senior employees during reorganization and expansion process. It is essential for Pharmacy to define a retention programmer for senior (experienced) key personnel whose competence and experience will be crucial for successful growth and expansion.

Identify, design and implement wide competence development programmer starting with competence gap analysis, education plan definition and competence lift move for both existing and new employees. HERB has to define its communication channels with other functions in order to provide assistance in close cooperation with line managers. 3. 3 Financial Business Function company, will face somewhat less challenges when compared with other business unction's, especially Operations. Nevertheless, few key items remain: 9/18 Assisting the Strategic BE with creation of the new business plan, facilitating financial forecast and other financial support.

Reviewing and re-designing company's accounting and financial reporting policies in order to assure compliance with publicly approved reporting methods - this is a critical item if company decides to raise funds with public investors, venture capital or other institutional investors. Putting a strong focus on its auditing and controlling functions in order to secure optimized allocation of limited funds used to grow the business. . 4 Marketing and Sales Business Function M function will play an increasingly important role in company's growth plans.

Besides providing traditional services to the company, M&S will also have to face some new challenges ahead: Increasing and training a regional sales force, able to facilitate expanded product portfolio and an international scope of work. Building a coherent organization spanning several countries, with each county functioning as an individual profit centre. Defining strategy for profiling of products toward consumers, wholesalers and retailers (pharmacies) - this includes reviewing branding options, reduce positioning and retailer/wholesaler perception (including shelf space battles).

Investigate strength and position of potential competitors substitution products, existing market situation etc. Investigate possible synergies in the branding area and define cooperation mode with license vendor - co-branding, focusing on existing Pharmacists brand etc. Building a realistic and challenging marketing plan for target markets (countries). Facilitation and appropriately using PR mechanisms in order to obtain increased " free advertising" in target markets. 3. 5 Operational Business Function

Operational Business Function (Operations) will be a critical function in achieving Pharmacists plans of regional growth and expansion.

Even if all other functions address all challenges, failure of Operations will result with ultimate failure of the company. In order to emphasize Operations' importance Pharmacists Operational Medical Operations and Logistics and Procurement. These business units will have to address 10/18 following key challenges in order to allow Pharmacy to become a significant regional player: Define new manufacturing requirements and determine (devise) a Lana for growth of production - increasing existing production,

adding new product lines, building new factory etc. Re-designing manufacturing processes in order to accommodate influx of new employees.

Resource planning and management will be critical elements of success or failure for Production business unit. Ensure end to end Quality Monitoring and Assurance, starting from oversight of suppliers until final packaging of the product. Coordinating with HRS function in bridging and competence gap of new employees and building an integrated working culture. Medial Operations business unit will have to expand its operational model to include new reduces and relations with multiple government bodies and different national legislations - its goal is to assure smooth roll of Pharmacists products in new markets.

Renegotiate relationships with existing suppliers or acquire new ones in light of increased production volumes, introduction of new raw materials for production and overall push to reduce unit cost through economy of scale (simply put - " We buy more, we pay less per unit"). Logistics & Procurement business unit will have to assist Pharmacists suppliers to grow in-line with the company in order to assure stable and optimized supply chain and stock management. 6 Social and Environmental Business Function Social and Environmental Business Function (SOBS) will have to address several important issues in Pharmacists transformation into regional pharmaceutical company: Compliance with environmental laws and regulations due to increases in production and introduction of new manufacturing processes. Assist Marketing & Sales and HRS business functions with building a

perception of a socially aware company and preferred employer in order to help recruitment process.

Define company's strategy in handling local market specifics, as well as communication with coal communities when (and if) company goes for establishment of new production site.

3.7 External Relations Business Function

External Relations Business Function (REEF) in Pharmacy are incorporated into two organizational structures - Marketing and Sales business unit (handling traditional role of public and media relations) and Legal affairs and Investor's relations department (handling relations with government bodies, investors/shareholders, banks and other external stakeholders).

Some of the key challenges for this BE are: Facilitate Pharmacists public perception as company expands its operations into region. Provide regular update and communication with all investors, especially due to possible sensitivities during company's expansion. Establish relations with relevant pharmaceutical stakeholders in target markets - media, opinion makers, regulatory bodies (in cooperation with Medical Operations and Legal Affairs).

8 Information Systems/limitation Technology Business Function

IS/IT will have an important role in assisting all other business functions during operational expansion. Pharmacy will expand its business, building offices in target markets, increasing and possibly relocating its Operations, growing its employee headcount and re-signing existing business processes and procedures.

Some of the challenges IS/IT BE is about to face are: Provide full support in definition and implementation of new business process, including implementation of new solutions and software, adapting or even developing solutions tailored for Pharmacists. Plan and expand IS/IT architecture in order to cope with increasing user demand and rationalization of Pharmacists operations. Renegotiate deals with external suppliers or IS/IT services in light of company's growth and expansions - telecoms and equipment suppliers, system integrators, consulting agencies etc. 12/18 4