IIHMR UNIVERSITY

School of Pharmaceutical Management

MBA Pharmaceutical Management

Batch-08th (2016-2018) First Year

Human Resource Management

Term Examination

Time - 3 Hour **MM-70**

The question paper contains 4 printed pages.

INSTRUCTIONS

The question paper contains two sections. Section B Should be performed in separate supplementary sheet. Please write your roll number clearly on the supplementary sheet.

SECTION A

I. Answer any two questions **10 x 2 = 20 M**

1. Discuss the strategic role of HRM with respect to a Pharma Industry involved in the Manufacturing of drugs.
2. Enumerate the different types of interviews which are used for the selection of employees in different types of Industries with special reference to manpower in Pharma Industry.
3. How do you identify the training needs in an organisation for a new sales officer who has joined the marketing department of a Pharma industry?

II Write short notes on any 3 **5 X 3 -= 15M**

a. Collective bargaining
b. Inducting training and orientation
c. Employee welfare measures through PF
d. Evaluation of training effectiveness

SECTION B

The questions are based on **pre-read Parkin Laboratories**, some part (1500 words) of which is reproduced here. Q.1 is compulsory. Attempt any other two questions in not more than 1000 words.

Q.1. Attempt a sales department organogram for Parkin Laboratories. (5)

Q.2 Describe the Job Description (tasks, duties , responsibilities) and Job Specification (Knowledge, Skills, Abilities, Attitude) of a MR at Parkin Laboratories (15)

Q.3 Enumerate ten qualitative and atleast 5 quantitative KRAs for MRs along with Rating scale (15)

Q.4 Discuss any three HR issues reflected in the case pertinent to Parkin Laboratory (15)

Overall turnover of India's nearly 600,000 wholesale and retail chemists across the country stood at approximately INR72 billion per annum. Gujarat, also the Indian state with most drug manufacturing companies, was home to some 14,000 of these chemists, who accounted for 10 per cent of the national turnover. Because DPCO drugs were the reason behind 50 to 60 per cent of the overall turnover, a reduction in margins meant a reduction in profitability, leading chemists to foresee a 50 per cent erosion in profits.[10]

SALES MANAGEMENT AT PARKIN

B. P. Chaudhary, chief executive officer of Parkin, had always believed that an effective sales force strategy was the key driver for pharmaceutical organizations to maximize coverage, improve sales and optimize costs. Chaudhary was convinced that consistently increasing the productivity of the sales force was crucial for growth in this tough economic environment. He was certain that in the ever-dynamic pharmaceutical sector, and given the ever-changing needs of doctors, an increasing return on investment from the sales force would be imperative to success in the Indian pharmaceutical industry. Chaudhary's advice to Kumar was to be cautious while designing the marketing and sales strategies in this dynamic environment. He asserted that a structured, more organized and forward-looking sales process would guarantee consistent sales growth and more accurate sales forecasting.

Kumar wanted his sales force to be leaner but meaner and to emphasize one-on-one doctor–representative relationships. He envisioned his sales team becoming more tech savvy and having higher accountability. In his opinion, a more organized and efficient sales force meant less wasted time and more productivity.

Sales Organization

The sales force was Parkin's biggest promotional investment, having evolved over time, including through the adoption of innovative customized commercial models — from its sales and marketing model to its strategic business unit model that used specialized task forces. The key drivers for all models were the same: provide better customer focus and targeting, enhance call efficiencies, develop newer business areas and increase the accountability of resources.

In August 2013, Parkin's sales team comprised 625 medical representatives (MRs) and was widely regarded as the best in the pharmaceutical industry. Sales and product training were extensive: Each new MR underwent a month-long training course twice a year at the company's facility in New Delhi. All MRs also attended an annual week-long refresher course in the same facility. Moreover, district sales managers (DSMs) worked with each medical representative for three days each month for field-training and performance reviews. Seven MRs were grouped geographically with a DSM, who in turn reported to a regional sales manager (RSM). Parkin had five RSMs representing the north, east, west, south and central zones of India. These RSMs reported to the general manager of sales.

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[10] *Sohina Das, "Chemists Opt for Drugs of Cos That Offer Better Margins," Business Standard, September 3, 2013, www.business-standard.com/article/companies/chemists-opt-for-drugs-of-cos-that-offer-better-margins-113090301132_1.html, accessed September 29, 2013.*

Role of Medical Representatives

Pharmaceutical selling differed from regular selling because MRs required both sound product knowledge and good sales skills, as their first "customers" were medical practitioners. MRs from different companies tried to persuade doctors to prescribe near-identical products with different brand names. As a result, medical representatives played a critical role in the promotion of a company's branded medicines and as the medium of communication between the company and its customers (i.e., doctors, dealers and retailers). Pharmaceutical companies' MRs were responsible for delivering the company's marketing message and product to the doctors in their territories. As such, they needed to interact with doctors regularly to persuade them to prescribe their brands over others. MRs were required to increase the number of prescriptions from doctors, which, in turn, led to an increase in sales volumes and profits. They were also required to create and provide educational opportunities for the doctors and for other hospital staff such as nurses. Busy and hectic lifestyles left doctors with little or no patience to sit through long, product detailing, which led to MRs making shorter and more precise pitches.

The MRs of leading pharmaceutical companies played the dual role of both sales agent and advisor to the doctors. These representatives, who were responsible for both demand creation and fulfillment, visited pharmaceutical dealers and retailers in their territories to check on the current product supply and to monitor inventory. MRs not only sold pharmaceutical products but also analyzed sales statistics and prepared many reports, such as the daily call reports, stock and sales reports, expense reports, travel plans and monthly reports. Other responsibilities included upgrading product knowledge on new and existing products and monitoring their competitors' products, sales, prices and other promotional activities.

Sales Targets

Each November, Parkin decided on its sales targets for the following year. These annual targets were usually based on industry growth, segment growth and the previous year's sales. Also considered were such factors as any additional sales force, the launch of new products and promotional plans. Parkin followed the QTQ (Quality-Target-Quantity) technique, whereby all RSMs, DSMs and MRs needed to achieve both qualitative and quantitative targets. For example, MRs needed to meet 10 doctors and four chemists each day. They also needed to target 50 per cent of their time to "A" class customers, 30 per cent to "B" class and 20 per cent to "C" class customers (see Exhibit 1). Each MR was mandated to complete a minimum of 220 calls to doctors and 88 calls to retailers per month. Similarly, MRs needed to achieve the required growth of value and volume targets on a monthly and yearly basis. DSMs and RSMs worked closely with the MRs to guide them in achieving their targets. Parkin offered handsome performance-linked incentives to MRs, DSMs and RSMs.

Sales Process

Missionary selling was the main sales style used in pharmaceutical selling; thus, an MR's role was to convince doctors about the effectiveness of a product they could prescribe for their patients. Missionary salespersons were also referred to as detailing salespersons. Detailing, which involved discussing the features and benefits of products with doctors and chemists, provided a platform for doctors to learn about products' indications, dosages, side effects and prices. Parkin used the Sales Force Automation (SFA) software by Oracle CRM (customer relationship management) to monitor various sales activities in the field. The MRs recorded their discussions with customers, both in their daily reports and by using SFA software. MRs were required to follow a disciplined and planned calling system for regular visits to

doctors, chemists, stockists and hospitals. Their sales results were monitored by a sophisticated "sales audit" system.

Sales Force Effectiveness

Kumar found that the company needed to improve its sales force effectiveness as it was not achieving the desired results from the selling strategies currently being followed by the field force. Parkin's MRs made hundreds of calls to doctors, but an investigation showed that several of those calls were lost on calling low-volume "C" class customers because of the MRs' comfort level with doctors in this category. This imbalance could be one of the primary reasons for the reduced sales per representative. Kumar's analysis of the performance of his high-performing MRs, average-performing MRs and low-performing MRs (see Exhibit 6) revealed that many MRs were faltering on the appropriate frequency of visits to the targeted class of doctors. MRs had met with fewer "A" class customers and a greater number of "B" and "C" class customers. He also observed that in comparison with other MRs, the high-performing MRs had met more frequently with the "A" class customers (see Exhibit 7).

Kumar found that low-performing MRs spent less time in doctor calls and chemist calls, compared with the high-performing MRs (see Exhibit 8). Kumar also observed many discrepancies in how the MRs implemented the marketing plan, even when Parkin was very clear that its MRs should detail no more than three products to a customer (see Exhibit 9). Besides, MRs were not making the judicious use of the various promotional inputs available (see Exhibit 10).

THE DILEMMA

The innumerable regulatory changes in the Indian pharmaceutical industry across the first half of 2013 left the company almost limping as a result of slow growth and dwindling profits. These changes had grossly affected the company's short-term plans and left the sales force demoralized. Parkin needed a fresh operating model that could identify challenges and opportunities in the changed environment and thereby recreate value for its customers through its sales force. Kumar understood that a way forward for Parkin would be to facilitate the sales force in targeting and prioritizing the market's highest-volume "A" class customers, who represented a potential 20 per cent increase in revenues targeted for the year. The DPCO had forced Kumar to look for effective ways to increase volumes to compensate the loss in value. He wondered about the opportunities and challenges in implementing the sales force effectiveness and realized that he had many options. Was this the right time to invest INR20 million in the implementation of a sales force effectiveness program? Or, would it be a wiser move to implement a field force rearrangement and product realignment? Kumar wondered whether investing to make the sales force more efficient would bode well for the company's operating expenses and profitability.