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KYIV NATIONAL ECONOMIC UNIVERSITY
named after VADYM HETMAN

Institute of Business Education

Department of International Management

Field of knowledge **07 Management and Administration**
Specialty **073 Management**
Specialization **Business Administration (general)**

Educational and Professional Program 8M10i «Business Administration (general)»

External Form of Education

MASTER THESIS

Title Performance Management of the Company's Structural Unit
(on the basis of “Dr Reddy’s” LLC in Ukraine)

By Ievgen Penzul

Academic supervisor

Candidate of Science (PhD), Professor of Business
Economics and Entrepreneurship Department

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Master Thesis has been approved for defense at Attestation Examination Commission

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Associate Professor

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KYIV 2022
MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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MASTER DEGREE PROGRAM	«BUSINESS ADMINISTRATION (GENERAL) »
BRANCH OF KNOWLEDGE	07 Management and administration
SPECIALTY	073 «Management »
SPECIALIZATION	8M10i «Business Administration (general)»

AGREED

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Head of the Department

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INDIVIDUAL TASK
higher education seeker Ievgen Penzul
Extramural studies

Master Thesis

Title: **Performance Management of the Company's Structural Unit (on the basis of “Dr. Reddy’s” LLC in Ukraine)**

The title of the Master’s thesis has been approved by the Rector’s Order “16”12.2021 № 1903-CT

Master Thesis is based on

Preliminary plan of Master Thesis and the terms of its submission to the Academic Supervisor

Chapter 1 Organizational structure and design as predictors of departmentalization and efficiency *(Title, deadline – up to 24.01.22)*

Chapter 2 Efficiency and performance measurements in Dr. Reddy’s *(Title, deadline – up to 21.02.22)*

Chapter 3 Improving of efficiency for oncology department

(Title, deadline – up to 21.03.22)

Deadline for submitting the final version of Master's Thesis to the Academic Supervisor (Deadline - 16.05.22)

Object of research:	Define of alternatives for increasing performance and efficiency of company department, comparison of their commercial perspective and attractiveness for efficiency and commercial growth
Subject of research:	Characteristics of proposed alternatives in scope of time, measurability, achievability and resources. Select most preferable option and estimate current KPIs for efficiency measurement
The purpose of the Thesis:	To explore and test existing approaches to performance management in conditions of unpredictability and changing market; to develop and update practical recommendations on performance management, create a strategy which allows to manage a structural unit

Specific tasks seeker has to accomplish to meet the objective:

In Chapter 1:

to review and summarize different models of organizational structure and their key features, types of departmentalization and approaches to design of organizational structure, review KPIs for efficiency measurement

In Chapter 2:

to research common characteristics of the company, key features of activities Dr. Reddy's in Ukraine and estimate current measurement and KPIs used in efficacy measurement

In Chapter 3:

to perform deep analysis of opportunities for increasing efficiency, to compare and select preferable alternatives for growth and estimate possible risks of implementation

The task has been set
by the Academic Supervisor _____
(Signature)

Valentyna Lavrenenko

“ ____ ” _____ 2022

The task has been given to
seeker _____
(Signature)

Ievgen Penzul

“ ____ ” _____ 2022

ABSTRACT

Master`s thesis for a master`s degree on **“Performance Management of the Company's Structural Unit (on the basis of “Dr. Reddy’s” LLC in Ukraine)”** contains 87 pages, 21 figures, 2 tables, the list of references includes 54 items, 3 applications

The object of research is to define of alternatives for increasing performance and efficiency of company department, comparison of their commercial perspective and attractiveness for efficiency and commercial growth.

The subject of research is to define characteristics of proposed alternatives in scope of time, measurability, achievability and resources. Select most preferable option and estimate current KPIs for efficiency measurement.

The purpose of the Thesis is to explore and test existing approaches to performance management in conditions of unpredictability and changing market; to develop and update practical recommendations on performance management, create a strategy which allows to manage structural unit

The tasks of a study: to review and consider current performance management inside organization, existing KPIs and their reflection of efficiency; to list business opportunities basing on market realities, team resources, and vision of the future in line with company`s strategic goals and vision.

The information base of the study collected on own practical experience and using open (library, electronic sources via Internet) and corporative sources; part of internal documents which can be published, communications etc. Some pieces of internal documents are blinded to avoid possible conflict of interest or competitive intelligence.

According to the results of the study selected actions will be performed with further follow-up and conclusion which will be a basic stone for future business plans.

Years of thesis completion – 2021-2022. Year of thesis defense – 2022

ACADEMIC SUPERVISOR REVIEW

on the master thesis

“Performance Management of the Company's Structural Unit (on the basis of “Dr. Reddy’s” LLC in Ukraine)”

by the student Ievgen Penzul

Educational and Professional Program 8M10i “Business Administration (general)”

The modern system of managing the efficiency of structural divisions is the basis for the development and maintenance of sustainable competitive advantages in an unstable external environment and a high level of competition. These circumstances are further exacerbated by military aggression and the various challenges associated with it in the activities of enterprises. Managerial and financial decentralization is especially important for dynamic industries such as the sale of medicines. In this context, the Master Thesis written by Ievgen Penzul is an up-to-date study on the ideas of Performance Management of the company's structural units.

In his master's thesis, Ievgen describes the theoretical and methodological foundations of organizational structure and design as factors that determine internal delegation and performance efficiency. Economic assessment of the level of development Dr. Reddy’s LLC in Ukraine was held as a basis for the development of directions to improve the efficiency for oncology department. The main conclusions of the master's thesis: 1) analysis of business opportunities based on business development approach; 2) comparison of alternatives for sales growth as performance metric; 3) risk of implementation for proposed scenarios; 4) corporate social responsibility - activities and initiatives.

Structure and content of the reviewed master’s thesis are well rounded and balanced in addition; include the conclusions that show strong theoretical evidence. Ievgen demonstrates the good evidence of having read extensively around the chosen topic, with sufficient referencing of the key theories and arguments proposed, and which encompasses the creative application of academic knowledge in such a way that it may well lead to the extension of such academic knowledge. Author uses sufficient quantity of theoretical concepts that clearly and methodically remains focused on the issues.

Recommendations of the author are practical and can be applied at other pharmaceutical and medical companies of Ukraine. By the content of the master thesis is allowed for protection before the Examination Commission.

Academic supervisor

Candidate of Science (PhD),

Professor of Business Economics

and Entrepreneurship Department

_____ Valentyna Lavrenenko
(Signature)

03.06.2022

REVIEW OF A QUALIFYING MASTER'S THESIS

Applicant: Ievgen Penzul

On the topic: Performance Management of the Company's Structural Unit

(on the basis of "Dr Reddy's" LLC in Ukraine)

Thesis structure: The diploma project includes three sections with theoretical basis, analysis of current performance tracking and management, proposals and scenarios to increase efficiency with their commercial comparison.

Relevance of the thesis: The Diploma Project has been developed seeking the ways to increase commercial efficiency of business department of modern pharmaceutical company. Proposed solutions created based on deep understanding of business realities, needs of stakeholders, analysis of competitive actions and taking and rely on strong expertise on pharmaceutical industry. Important, that all proposed actions are in line with company rules and principles aiming to cover the most crucial patients' needs. Apart of this, topic «Corporate social responsibility» discovers steps that company make toward society and environment.

Comments and suggestions for the project: need to assess and compare results after implementation of proposed actions, describe barriers and respective steps taken.

Reviewer:
Volodymyr Cherniavskyi
Channel Head of RX department
Dr. Reddy's Laboratories LLC

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"02" June 2022

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INTRODUCTION

The theme of the project is performance management of company`s structural unit performed on the base of pharmaceutical company.

Actuality of performance management

The business performance of a company is based on multiple criteria such as management style, customer relationship management and the quality of the service provided, but also the effectiveness of incentive compensation schemes and employee motivation. Performance also plays as a reflection of commercial effectiveness, which can be defined as the ability of a company, a department or an individual to achieve its or their objectives and expected results. The notion of commercial effectiveness covers issues of costs, deadlines, quality and profitability. It is measured using qualitative and/or quantitative KPIs (key performance indicators).

The nature of the business sector in which the company operates, the economic context, the seasonality or the strength of the competition in the market explain the KPIs directly linked to commercial effectiveness in terms of turnover, the number of sales, market shares and margins etc.

Business performance, which is closely tied to commercial effectiveness, is determined by the ability of a company to implement optimal organization with the aim of offering a product or service that meets the expectations of consumers and customers.

Different researches show that organizations who put their focus on continuous performance management have better business results. That is why effective performance management is essential to businesses. Through both formal and informal processes, it helps them align their employees, resources, and systems to meet their strategic objectives. It works as a dashboard too, providing an early warning of potential problems and allowing managers to know when they must make adjustments to keep a business on track.

Organizations that get performance management right become formidable competitive machines. In too many companies, the performance-management system is slow, wobbly, or downright broken. At best, these organizations aren't operating as efficiently or effectively as they could. At worst, changes in technologies, markets, or competitive environments can leave them unable to respond.

Strong performance management rests on the simple principle that "what gets measured gets done." In an ideal system, a business creates a cascade of metrics and targets, from its top-level strategic objectives down to the daily activities of its frontline employees. Managers continually monitor those metrics and regularly engage with their teams to discuss progress in meeting the targets. Good performance is rewarded; underperformance triggers action to address the problem.

Since 1987 acronym VUCA was found its way into the business lexicon. The components it refers to volatility, uncertainty, complexity, and ambiguity - are words that have been variously used to describe an environment which defies confident diagnosis and befuddles executives. In a 'VUCA world, core activities essential to driving organizational performance (like strategic planning) are viewed as mere exercises in futility. VUCA conditions render useless any efforts to understand the future and to plan responses. When leaders are left with little to do other than wring their hands, organizational performance quickly falls at risk. In this scope of organizational performance, we demonstrate that by overlooking important differences in the conditions that volatility, uncertainty, complexity, and ambiguity describe, we have disempowered leaders. We show how leaders can appreciate the differences among each of these challenging situations in order to properly allocate scarce resources to preserve and enhance organizational performance.

Living in VUCA world requires flexibility, ability to change, out-of-box thinking to recognize new business opportunities, niches and perspectives. That is why crucial for every business to periodically re-consider its vision of efficiency, ways of management, KPIs and keep all those approaches up-to-dated.

The purpose of the Thesis: to explore and test existing approaches to performance management in conditions of unpredictability and changing market; to develop and update practical recommendations on performance management, create a strategy which allows to manage structural unit

The tasks of a study: to review and consider current performance management inside organization, existing KPIs and their reflection of efficiency; to list business opportunities basing on market realities, team resources, and vision of the future in line with company`s strategic goals and vision.

The object of research: define of alternatives for increasing performance and efficiency of company department, comparison of their commercial perspective and attractiveness for efficiency and commercial growth.

The subject of research: ccharacteristics of proposed alternatives in scope of time, measurability, achievability and resources. Select most preferable option and estimate current KPIs for efficiency measurement.

In addition, I made a brief update of current situation in scope of military conditions in Ukraine (section 3.3) which is extended till the end of August and how it impacts the business and operations. Position of the company related to corporate social responsibility with recent cases of CSR example provided by department are reflected here as well (Section 3.4).

The information base of the study collected on own practical experience and using open (library, electronic sources via Internet) and corporative sources; part of internal documents which can be published, communications etc. Some pieces of internal documents are blinded to avoid possible conflict of interest or competitive intelligence.

At the moment of work completion, I have been working in Dr. Reddy`s LLC for 1 year and 2 months.

Essential role in considering ways of improving efficacy played number of disciplines which have been studied during entire MBA education course – materials on Organization behavior, Risk management, Business development, Strategic management and many others.

Special thanks to my Scientific supervisor Valentyna Lavrenenko for valuable set of guidelines and recommendations also as support in creating this project.

CHAPTER 1

ORGANIZATIONAL STRUCTURE AND DESIGN AS PREDICTORS OF DEPARTAMENTALIZATION AND EFFICIENCY

1.1. Models of organizational structure: key features and differences

Organizational structure and design have always been important factors influencing the behavior of individuals and groups that comprise the organization; the new rules of operating in today's global business environment make structure and design considerations even more critical [1, p.393-407]. An IBM company survey of 1,500 CEOs from 60 countries found that a top priority of business leaders is how to design their operations for speed and flexibility to achieve success [2, p.27-28]. This is an important goal because it is through structure that managers decide how the organization's purposes will be accomplished [3, p.133-141].

Organizational structure is considered by many to be "the anatomy of the organization, providing a foundation within which the organization functions." [4, p.49] Thus, the structure of an organization can be viewed as a framework that "focuses on the differentiation of positions, formulation of rules and procedures, and prescriptions of authority." [5, p.2]. Structure refers to relatively stable relationships and processes of the organization. Therefore, the purpose of structure is to regulate, or at least reduce, uncertainty in the behavior of individual employees.

Organizational design requires that managers make a conscious effort to predetermine the way employees do their work. Thoughtful managers design organizational structure in light of their purposes and goals, and how structure can contribute to organizational effectiveness. Structural decisions should also reflect company values and incorporate ethical and environmental considerations.

How an organization is structured is not only important in terms of its success, but

it can also be a matter of life and death. A recent Institute of Medicine study suggested that placing patients and their care providers (e.g., nurses) on the top of the organization chart and having few layers of bureaucracy between them and the executive leadership of the organization could improve the quality of healthcare delivery [6, p.407-418].

Managers are faced with a wide variety of structural possibilities [7, p.523-549]. We will consider two organizational design models, four decisions related to organizational design, three dimensions of structure and how they interact with those decisions, multicultural influences on organizational structure, and virtual organizations.

Two models of organizational design given below are important ideas in management theory and practice. Although many variations on these models can be found in practice, we will review the basic elements of mechanistic and organic organizational designs.

Mechanistic model of organizational design characterized by three common features:

- Formalization (tending to create and enforce different rules, procedures, processes)
- Centralization (degree of which right to take decision belong to top managers)
- Complexity (number of jobs or job units inside the company)

One of early explorers of management, Henry Fayol, proposed some principles from experience of coal mining company [8]. These principles deal with management functions in organization and four of them are relevant to understand the mechanistic model.

Key principles of mechanistic model are:

- Specialization (technical dimension) which is powered by scientific management who enriched specialization with number of methods
- Unity of direction means grouping job around specialty (salesperson to salesperson, marketer to marketer etc). Best reflection of this principle is functional departmentalization
- Authority and responsibility suggests that manager should has sufficient authority to perform his duties but supervising manager has greater level of authority (due to biggest impact of his decisions on company future) so this inevitably leads to centralization

- Scalar chain principle reflect vertical way of communications inside the company (all messages from down to top should pass all intermediate chains and vice versa). Some individuals like Max Weber described application of mechanistic model with term bureaucracy - usually this term refers to the negative consequences of large organizations (procedural delays, general frustration etc), but Weber defines bureaucratic structure as «superior to any other form in precision, stability, discipline and reliability. It thus makes possible a high degree of calculability of results for the heads of the organization and for those acting in relation to it» [9, p.334]

To achieve the maximum benefits of the bureaucratic design, Weber described that an organization must have the following characteristics:

1. All tasks will be divided into highly specialized jobs.
2. Each task is performed according to a system of abstract rules to ensure uniformity and coordination of different tasks.
3. Each member or office of the organization is accountable for job performance to one, and only one, manager.
4. Each employee of the organization relates to other employees and clients in an impersonal, formal manner, maintaining a social distance with subordinates and clients.
5. Employment in the bureaucratic organization is based on technical qualifications and is protected against arbitrary dismissal.

So both authors Fayol and Weber described the same type of organization, one that functions in a machine-like manner to accomplish the organization's goals in a highly efficient manner.

Organic model of organization reflects deep contrast with mechanistic model due to completely different practices and characteristics. It uses wide range of titles and ranks, persons are welcomed to express and pursue ideas and challenges, freely communicate one with another and tends to keep common sense of duty higher than personal motivation.

The key difference of organic model vs mechanistic is set of efficacy criteria – in case of mechanistic model there are effectiveness and productivity, for organic model we find development, satisfaction and flexibility.

Due to encourage of greater utilization for human resources potential, the organic firm is much flexible to set of environmental challenges. Managers usually are empowered to implement practices which stressed personal responsibilities and growth. Control, making decisions and goal setting are shared and decentralized through all levels of organization, communications run free through the team, not only from top to down. All these practices aiming to reach basic assumption of organic model which can be described as “such as to ensure a maximum probability that in all interactions and in all relationships with the organization, each member, in the light of his background, values, desires, and expectations, will view the experience as supportive and one which builds and maintains a sense of personal worth and importance.” [10, p.273]

Key features of company design which allows individuals to feel personal input, motivation and delivers satisfaction, flexibility and development:

1. Simplicity (de-emphasis on specialization and its emphasis on increasing job range).
2. Decentralization (relatively decentralized because of its emphasis on delegation of authority and increasing job depth).
3. Informal (because of its emphasis on product and customer as bases for departments).

1.2. Types of departmentalization of the company based on structure and design

Organizational design is defined as specific organizational structure that results from managers’ decisions and actions. In other words, organizational design is a process by which management takes decision and actions resulting in organizational structure [11, p.45-60]. Building such structure can be single or continuing process, should be selected by one manager or by group, but there are several questions through this process should be answered:

1. How to split the overall task into smaller part of job

Managers usually divide total activities of the task into sets of smaller activities. As a result of this they receive clear vision of jobs in terms of activities and responsibilities. In general job has a lot of characteristics, the most important one is their level of specialization.

2. Managers should select criteria based on which collect groups of individual jobs. It looks like any other classification decision and results in groups with relatively homogeneous or heterogeneous jobs.
3. Next step is to define the size of each group reporting to one supervisor or manager (this step requires deep understanding the spans of control are relatively narrow or wide.
4. Managers distribute authority among the jobs. Authority is defined as right to make decisions without approval by a higher manager and to exact obedience from designated other people. All jobs contain some degree of the right to make decisions within prescribed limits, but not all jobs contain the right to exact obedience from others. Managers can exact obedience; non-managers can't.

Definitely organizational structure can vary depending on choices managers make and variety of choices can be reflected in Fig.1.1.

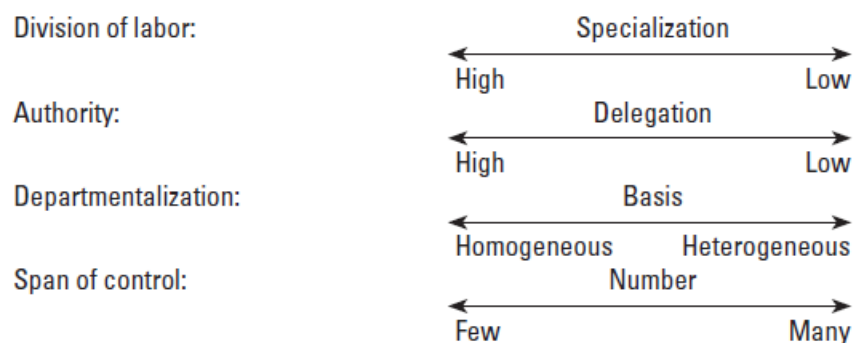


Figure 1.1 - Variety of choices [12, p.478]

Departmental Bases. As the number of employees with specialized jobs increases within an organization, it becomes more difficult for a single manager to coordinate their efforts. Thus, to create manageable numbers of jobs, they are combined into smaller groups and a new job is defined - manager of the group.

The crucial managerial consideration when creating departments is determining the basis for grouping jobs. Of particular importance is the determination for the bases for departments that report to the top management position. In fact, numerous bases are used throughout the organization, but the basis used at the highest level determines critical dimensions of the organization. Some of the more widely used departmentalization bases. [13, p.293-302].

Departmentalization is the way in which an organization structure established. Most widely used departments are by function, territory, product, customer, and project.

1. Functional Departmentalization

When jobs combined according to the functions into company. Every organization should perform certain activities to have job done. List of these necessary activities are the organization's functions. Essential functions of a producing company include production of manufacturing, marketing, finance, accounting, and human resources. These activities are necessary to develop, produce, and then sell a product or service. Necessary functions of a commercial bank include taking deposits, making loans, and investing the bank's funds.

The functions of a hospital include surgery, psychiatry, housekeeping, pharmacy, nursing, and human resources.

Every function can be presented by specific department where jobs can be combined according function title and context. Often small organization has functional basis in case of producing narrow range of products and services. Also its widely used in large multiproduct organizations.

The functional basis can be implemented in both service and manufacturing organizations; the specific configuration varies from firm to firm. Figure 1.2 illustrates a manufacturing company that is structured by functions

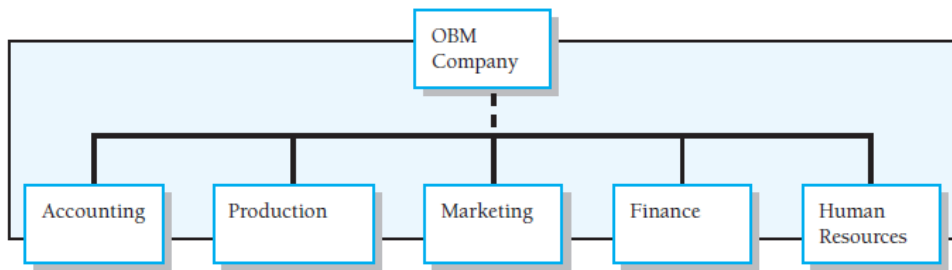


Figure 1.2 - Functional model [12, p.483]

The key benefit of the functional basis is its efficiency. So from logical point its reasonable to have units consists of experts in a separate area (marketing, HR). By having departments of specialists, management builds efficient units. An accountant is generally more efficient when working with other accountants and other individuals who have similar backgrounds and interests. They can share expertise and experience to get work done. This classic form of organization is used to produce a classic snack, Lay's potato chips. A quick review of Frito-Lay North America's leadership structure indicates a functional organization. Reporting to president Tom Greco are separate vice presidents responsible for the organization's public affairs, innovation, legal issues, marketing, operations, human resources, and sales. Although the division produces over 40 top brands and uses various distribution channels to reach different customer segments, this \$13 billion business uses the functional form of organization to dominate the very competitive business of snack foods. [14]

A major disadvantage of this departmental basis is that, because specialists are working with and encouraging each other in their areas of expertise and interest, organizational goals may be sacrificed in favor of departmental goals. Accountants may see only their problems and not those of production or marketing or the total organization. In other words, the culture of and identification with the department are often stronger than identification with the organization and its culture.

2. Geographic Departmentalization

Another basis for departmentalizing is to establish groups according to geographic area. The logic is that all activities in a given region should be assigned to a manager.

This individual is in charge of all operations in that particular geographic area.

In large organizations, geographic arrangements are advantageous because physical separation of activities makes centralized coordination difficult. This approach also makes sense when a company has operations, units, or subsidiaries in different countries of the world. The markets, customers, or suppliers may differ so much from one country to the next that the company needs to structure itself around them.

Large, multiunit retail stores are often organized along geographic lines. Specific retail outlets in a geographic area will comprise units, often termed divisions, which report to a regional manager who in turn may report to a corporate manager.

Figure 1.3 below presents geographic organizational structure.

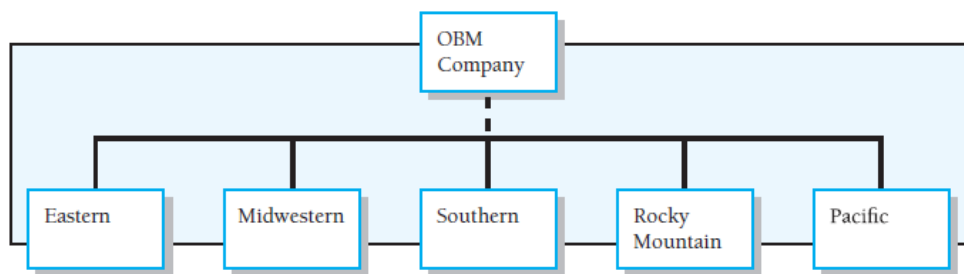


Figure 1.3 - Geographic model [12, p.484]

Geographic departmentalization provides a training ground for managerial personnel.

The company is able to place managers in territories and then assess their progress in that geographic region. The experience that managers acquire in a territory away from headquarters provides valuable insights about how products and/or services are accepted in the field.

3. Product Departmentalization

Managers of many large, diversified companies group jobs on the basis of product.

All jobs associated with producing and selling a product or product line will be placed under the direction of one manager. Product becomes the preferred basis as a firm grows by increasing the number of products it markets. As a firm grows, it's difficult to coordinate the various functional departments and it becomes advantageous to establish product units. This

form of organization allows personnel to develop total expertise in researching, manufacturing, and distributing a product line. Concentrating authority, responsibility, and accountability in a specific product department allows top management to coordinate actions.

The organizational structure using products as the basis for departments has been a key development in modern capitalism. The term divisional organization refers to this form of organizational structure. Most of the major and large firms of developed countries use it to some degree. The product-based divisions are often freestanding units that can design, produce, and market their own products, even in competition with other divisions of the same firm. [15, p.49-72]

A product department organization is shown in Exhibit 16.3 with three product divisions (small household appliances, large household appliances, and commercial appliances) reporting to the OBM corporate headquarters. Within each of these units we find production and marketing personnel. Since managers of product divisions coordinate sales, manufacturing, and distribution of a product, they become the overseers of a profit center. In this manner, profit responsibility is implemented in product-based organizations. Managers are often asked to establish profit goals at the beginning of a time period and then to compare actual profit with planned profit.

Product-based organizations foster initiative and autonomy by providing division managers with the resources necessary to carry out their profit plans. But such organizations face the difficult issue of deciding how much redundancy is necessary. Divisional structures contain some degree of redundancy because each division wants its own research, engineering, marketing, production, and all other functions necessary to do business. Thus, technical and professional personnel are found throughout the organization at the division levels. The cost of this arrangement can be exorbitant.

Organization with three product divisions (small household appliances, large household appliances, and commercial appliances) reporting to the OBM corporate headquarters is shown in Figure 1.4

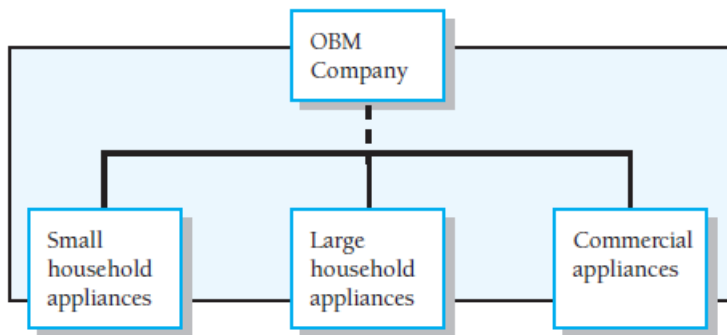


Figure 1.4 - Product model [12, p.484]

4. Customer Departmentalization

Customers and clients can be a basis for grouping jobs. Examples of customer – oriented departments are the organizational structures of educational institutions.

Some institutions have regular (day and night) courses and extension divisions. In some instances, a professor will be affiliated solely with the regular division or extension division. In fact, titles of some faculty positions specifically mention the extension division.

Another form of customer departmentalization is the loan department in a commercial bank. Loan officers are often associated with industrial, commercial, or agricultural loans. The customer will be served by one of these three loan officers. Verizon, the global communications company, has 194,000 employees serving customers in 140 countries. In terms of U.S.-based customers, the firm is organized around different types of customers, including Fortune 1000 companies, data and call centers, government agencies, small businesses, and residences. The customer-centric strategy seems to be paying off for Verizon. In 2011, the firm’s annual revenue reached \$110.9 billion; making it the 16th highest in the Fortune 500 ranking of companies. [16]

Some department stores are departmentalized to some degree on a customer basis,

as shown in Figure 1.5. They have groupings such as retail store customers, website customers, institutional customers, and government customers. Organizations with customer-based departments are better able to satisfy customer-identified needs than organizations that base departments on noncustomer factors. [17]

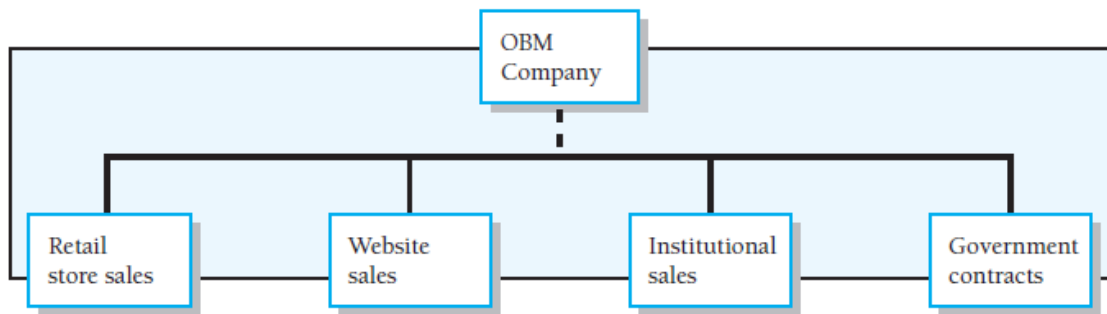


Figure 1.5 - Customer model [12, p.485]

5. The Matrix Model

The matrix model of organizational design aimed to maximize the strengths and minimize the weaknesses of both the functional and product bases. In practical, the matrix design unites functional and product departmental bases [18, p.100-110]. American companies such as American Cyanamid, Avco, Carborundum, Caterpillar Tractor, Hughes Aircraft, ITT, Monsanto Chemical, National Cash Register, Prudential Insurance, TRW, and Texas Instruments are only a few users of matrix organization. Public sector users include public health and social service agencies. [19]. Although the exact meaning of matrix organization varies in practice, it's typically seen as a balanced compromise between functional and product organization, between departmentalization by function and by product [20, p.852-866].

Matrix organizations achieve the desired balance by superimposing, or overlaying, a horizontal structure of authority, influence, and communication on the vertical structure. In the arrangement shown in Figure 1.6 below, personnel assigned in each cell belong not only to the functional department, but also to a particular product or project.

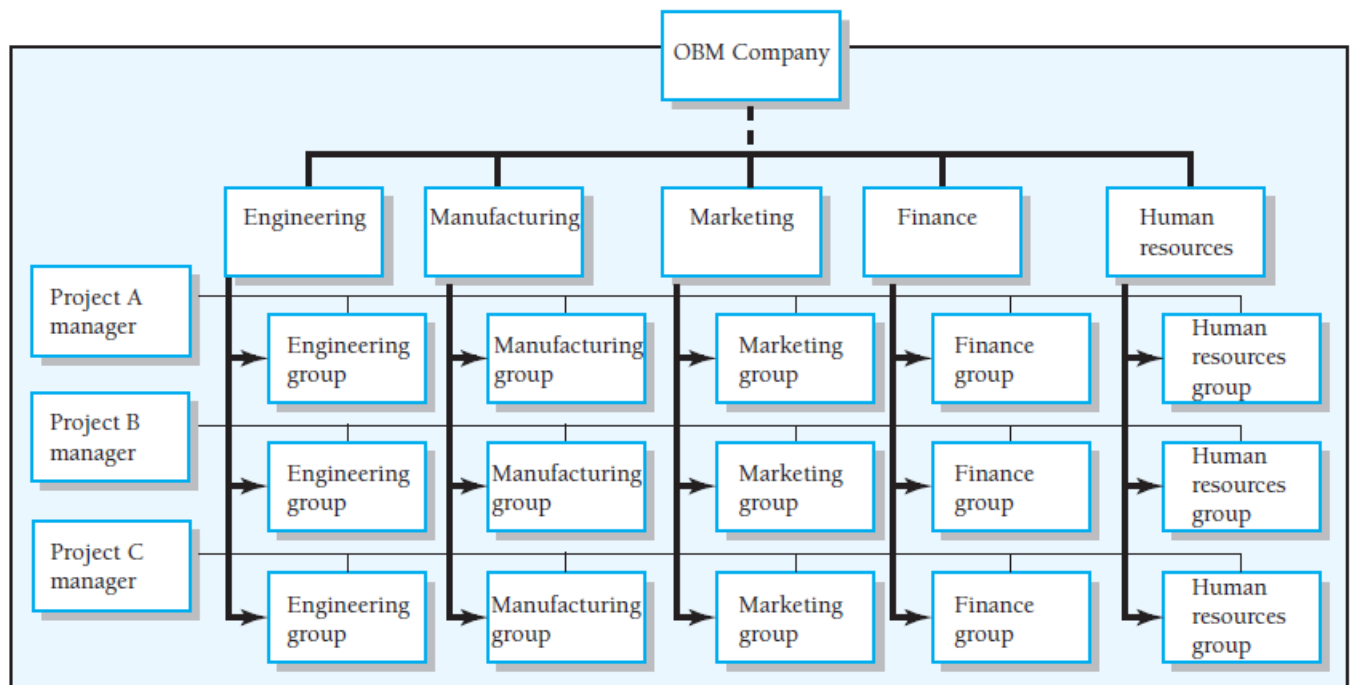


Figure 1.6 - Matrix model [12, p.486]

For example, manufacturing, marketing, engineering, and finance specialists are assigned to work on one or more projects or products A, B, C, D, and E. As a consequence, personnel report to two managers: one in their functional department and one in the project or product unit. The existence of a dual authority system is a distinguishing characteristic of matrix organization. The potential conflict between allegiance to one's functional manager and one's project manager must be recognized and dealt with in matrix organizations. [21, p.361-365]. In addition to the dual authority system, there are other unique characteristics of matrix organizations that need to be understood and managed carefully.

Matrix structures are found in organizations that (1) require responses to rapid change in two or more environments, such as technology and markets; (2) face uncertainties that generate high information-processing requirements; and (3) must deal with financial and human resources constraints. [22]. Managers confronting these circumstances must obtain certain advantages that are most likely to be realized with matrix organization. [23, pp. 54-74].

Advantages of Matrix Organization

A number of advantages can be associated with the matrix design. Some of the more important ones are as follows:

1. Efficient use of resources: matrix organization facilitates the utilization of highly specialized staff and equipment. Each project or product unit can share the specialized resource with other units rather than duplicating it to provide independent coverage for each. This advantage is particularly so when projects require less than the full-time efforts of the specialist.
2. Flexibility in conditions of change and uncertainty: timely response to change requires information and communication channels that efficiently get the information to the right people at the right time [24, pp. 34-39]. Matrix structures encourage constant interaction among project unit and functional department members. Information is channeled vertically and horizontally as people exchange technical knowledge, resulting in quicker response to competitive conditions, technological breakthroughs, and other environmental conditions.
3. Technical excellence: technical specialists interact with other specialist's while assigned to a project. These interactions encourage cross-fertilization of ideas, such as when a computer scientist must discuss the pros and cons of electronic data processing with a financial accounting expert.
4. Freeing top management for long-range planning: One stimulus for the development of matrix organizations is that top management is able to be less involved with day-to-day operations. This makes it possible for top management to delegate ongoing decision making, thus providing more time for long-range planning.
5. Improving motivation and commitment: Project and product groups are composed of individuals with specialized knowledge to whom management assigns, on the basis of their expertise, responsibility for specific aspects of the work. Consequently, decision making within the group tends to be more participative and democratic than in more hierarchical settings, ultimately fostering high levels of motivation and commitment.

6. Providing opportunities for personal development - placed in groups consisting of individuals representing diverse parts of the organization, employees come to appreciate the different points of view expressed and become more aware of the total organization. Moreover, the experience broadens each specialist's knowledge not only of the organization but of other scientific and technical disciplines—engineers develop knowledge of financial issues; accountants learn about marketing.

Different Forms of Matrix Organization

Matrix organization forms can be depicted as existing in the middle of a continuum with formal and centralized organizations at one extreme and with fluid and decentralized organizations at the other. Ordinarily, the process of moving to matrix organization is evolutionary. That is, as the present structure proves incapable of dealing with rapid technological and market changes, management attempts to cope by establishing procedures and positions that are outside the normal routine.

This evolutionary process consists of the following steps:

- Task force: when a competitor develops a new product that quickly captures the market, a rapid response is necessary. A convenient approach is to create a task force of individuals from each functional department and charge it with the responsibility to expedite the process. The task force achieves its objective, then dissolves, and members return to their primary assignment.
- Teams: If the product or technological breakthrough generates a family of products that move through successive stages of new and improved products, the temporary task force concept is ineffective. A typical next step is to create permanent teams consisting of representatives from each functional department. The teams meet regularly to resolve interdepartmental issues and to achieve coordination.
- Product managers: If the technological breakthrough persists so that new product development becomes a way of life, top management will create the roles of product managers. In a sense, product managers chair the teams, but they now are permanent positions. They have no formal authority over the team members but must rely on their

expertise and interpersonal skill to influence them. Companies such as AT&T, Johnson & Johnson, and Procter & Gamble make considerable use of the product management concept.

- Product management departments: The final step in the evolution to matrix organization is the creation of product management departments with subproduct managers for each product line. In some instances, the subproduct managers are selected from specific functional departments and continue to report directly to their functional managers. Considerable diversity in the application of matrix organization exists, yet the essential feature is the creation of overlapping authority and the existence of dual authority.

Fully developed matrix organization has product management departments along with the usual functional departments. Such organizations have product managers reporting to top management, with subproduct managers for each product line.

Span of Control

The determination of appropriate bases for departmentalization establishes the kinds of jobs that will be grouped together. But that determination doesn't establish the number of jobs to be included in a specific group, the issue of span of control. Generally, the issue comes down to the decision of how many people a manager can oversee so organization has to decide would it be more effective if the span of control is relatively wide or narrow. The question is basically concerned with determining the volume of the span of control must be defined to include not only formally assigned subordinates, but also those who have access to the manager. Not only may a manager be placed in a position of being responsible for immediate subordinates, but she may also be chairperson of several committees and task groups.

The critical consideration in determining the manager's span of control is not the number of potential relationships. Rather it's the frequency and intensity of the actual relationships that are important. Not all relationships will occur, and those that do will vary in importance. If we shift attention from potential to actual relationships as the bases for determining optimum span of control, three key factors appear to be important as a minimum.

Required Contact

In research and development as well as medical and production work, frequent contact and a high degree of coordination is needed between a superior and subordinates. Conferences and other forms of consultation often aid in attaining goals within a constrained time period. For example, the research and development team leader may have to consult frequently with team members so that a project is completed within a time period that will allow the organization to place a product on the market. Thus, instead of relying upon e-mails and reports, it is in the best interest of the organization to have as many in-depth contacts with the team as possible. A large span of control would preclude contacting subordinates so frequently, which could impede the project. In general, the greater the inherent ambiguity in an individual's job, the greater the need for supervision to avoid conflict and stress. [25, pp.91-99].

Degree of Specialization

The degree of specialized employees is a critical consideration in establishing the span of control at all levels of management. It is generally accepted that a manager at the lower organizational level can oversee more subordinates because work at the lower level is more specialized and less complicated than at higher levels of management. Management can combine highly specialized and similar jobs into relatively large departments because the employees may not need close supervision.

Ability to Communicate

Instructions, guidelines, and policies must be communicated verbally to subordinates in most work situations to avoid necessity of non-programmed decisions. The need to discuss job-related factors influences the span of control. The individual who can clearly and concisely communicate with subordinates is able to manage more people than one who can't. The widespread practice of downsizing and "flattening" organizations of all kinds has direct implications for the span-of-control decision. Downsizing reduces the number of all employees, but relatively more managers (usually middle managers) than non-managers. For example, retailer Sam's Club stores eliminated 1,200 of the 3,000

management positions in its stores. While this 40 percent reduction in management was intended to create a more efficient operation and improve customer service, it also significantly impacted reporting relationships. [26, pp 27-30]. Downsizing increases the number of non-managers per manager; consequently, the average span of control of each manager increases. Whether the factors of required contact, degree of specialization, and ability to communicate have any bearing on the resultant spans of control can be debated. In fact, many middle managers whose spans of control have been widened believe that top management made the decision without regard to these factors.

1.3. Designing an organizational structure: additional issues

Managers need to consider how the four design decisions (division of labor, delegation of authority, departmentalization, and span of control) influence the structure of their organizations. In a similar manner, there are three dimensions of organizational structure that interact with these design decisions - formalization, centralization, and complexity.

Formalization

An organizational structure described as highly formalized and having rules and procedures to prescribe what each individual should be doing. [27, pp.592-593]. Such organizations have written standard operating procedures, specified directives, and explicit policies. In terms of the four design decisions, formalization is the result of high specialization of labor, high delegation of authority, the use of functional departments, and wide spans of control.

1. High specialization of labor (as in the auto industry) is amenable to the development of written work rules and procedures. Jobs are so specialized as to leave little to the discretion of the jobholder.

2. High delegation of authority creates the need for checks on its use. Consequently, the organization writes guidelines for decision making and insists upon reports describing the use of authority.

3. Functional departments are made up of jobs with great similarities. This basis brings together jobs that make up an occupation such as accountants, engineers, and machinists. Because of the similarity of the jobs and the rather straightforward nature of the department's activities, management can develop written documents to govern those activities.

4. Wide spans of control discourage one-on-one supervision. There are simply too many subordinates for managers to keep up with on a one-to-one basis.

Consequently, managers require written reports to inform them. Although formalization is defined in terms of written rules and procedures, we must understand how they're viewed by the employees. Some organizations have all the appearances of formalization, complete with thick manuals of rules, procedures, and policies, yet employees don't perceive them as affecting their behavior. Thus, where rules and procedures exist, they must be enforced if they're to affect behavior.

Centralization

Centralization refers to the location of decision-making authority in the hierarchy of the organization. More specifically, the concept refers to delegation of authority among the jobs in the organization. Typically, researchers and practitioners think of centralization in terms of two things - decision making and control. But despite the apparent simplicity of the concept, it can be difficult to apply.

The difficulty issues from three sources. First, people at the same level can have different decision-making authority. Second, not all decisions are of equal importance in organizations. For example, a typical management practice is to delegate authority to make routine operating decisions (i.e., decentralization), but to retain authority to make strategic decisions (i.e., centralization). Third, individuals may not perceive that they really have

authority even though their job descriptions include it. Thus, objectively they have authority, but subjectively they don't.

The relationships between centralization and the four design decisions are generally as follows:

1. The higher the specialization of labor - the greater the centralization. This relationship holds because highly specialized jobs do not require the discretion that authority provides.
2. The less authority that is delegated - the greater the centralization. By definition of the terms, centralization involves retaining authority in the top management jobs, rather than delegating it to lower levels in the organization.
3. The greater the use of functional departments - the greater the centralization. The use of functional departments requires that activities of the several interrelated departments be coordinated. Consequently, authority to coordinate them will be retained in top management.
4. The wider the spans of control - the greater the centralization. Wide spans of control are associated with relatively specialized jobs, which, as we've seen, have little need for authority.

Complexity

Complexity is the direct consequence of dividing work and creating departments. Specifically, the concept refers to the number of distinctly different job titles, or occupational groupings, and the number of distinctly different units, or departments. The fundamental idea is that organizations with many different kinds of jobs and units create more complicated managerial and organizational problems than those with fewer jobs and departments.

Complexity, then, relates to differences among jobs and units. Therefore, it's not surprising that differentiation is often used synonymously with complexity. Moreover, it has become standard practice to use the term horizontal differentiation to refer to the number of different units at the same level; vertical differentiation refers to the number of levels in the

organization. [28, pp. 509-524]. The relationships between complexity (horizontal and vertical differentiation) and the four design decisions are generally as follows:

1. The greater the specialization of labor, the greater the complexity. Specialization is the process of creating different jobs and thus more complexity. Specialization of labor contributes primarily to horizontal differentiation.

2. The greater the delegation of authority, the greater the complexity of the organization. Delegation of authority is typically associated with a lengthy chain of command (that is, with a relatively large number of managerial levels). Thus, delegation of authority contributes to vertical differentiation.

3. The greater the use of geographic, customer, and product bases, the greater the complexity. These bases involve creating self-sustaining units that operate much like freestanding organizations. Consequently, there must be considerable delegation of authority and, thus, considerable complexity.

4. Narrow spans of control are associated with high complexity. This relationship holds because narrow spans are necessary when the jobs to be supervised are quite different one from another. A supervisor can manage more people in a simple organization than in a complex organization. The apparently simple matter of span of control can have profound effects on organizational and individual behavior. Hence, we should expect the controversy that surrounds it.

Relationships between dimensions of organizational structure and the four design decisions are summarized in Figure 1.7.

Dimensions	Decisions
High formalization	1. High specialization 2. Delegated authority 3. Functional departments 4. Wide spans of control
High centralization	1. High specialization 2. Centralized authority 3. Functional departments 4. Wide spans of control
High complexity	1. High specialization 2. Delegated authority 3. Territorial, customer, and product departments 4. Narrow spans of control

Figure 1.7. - Relationship between dimensions of organizational structure and the four design decisions [12, p.492]

Multinational structure and design

As we described previously, four design decisions regarding division of labor, delegation of authority, departmentalization, and span of control shape the design of organizational structures. These decisions, in turn, are affected by a variety of factors.

Foremost among them are the social, political, cultural, legal, and economic environments in which the organization is operating. Because of their very nature, multinational corporations frequently exist in very divergent environments. A multinational corporation may be categorized as consisting of a group of geographically dispersed organizations with different national subsidiaries.

One approach to setting up a foreign subsidiary is that of replication. That is, the same organizational structure and operating policies and procedures that exist in the existing domestic organization are used. For example, when establishing its foreign subsidiaries, Procter & Gamble created an “exact replica of the United States Procter & Gamble organization” because it believed that using “exactly the same policies and procedures which have given our company success in the United States will be equally successful overseas.” [29, p.38]. The potential difficulty with such a practice is that it may result in the reliance

upon organizational designs and management practices that are simply unsuitable for the environment of the host country. This may explain why foreign subsidiary organizational structures tend to evolve over time as the company becomes more internationalized. [30, p.1-9].

Companies that engage in international business must decide how best to coordinate and leverage their global activities. For example, Boeing Commercial Airplanes relies on 1,200 global suppliers (known as “partners”) for aircraft structures, systems, propulsion, interiors, and so forth. By partnering with suppliers, Boeing is able to be more efficient and improve production time: “Employees assemble the airplane on a moving line that has reduced manufacturing time by 50%. The line signals suppliers when employees are ready for parts, which in many cases arrive at the plant in subassemblies or kits.” [31, p.59-60]. By integrating suppliers from around the world, Boeing is supporting its strategy of being a dominant global company. Multinational companies of all types must confront a related question: How should we structure our organization to succeed in the global marketplace? Which departmental basis should we use?

The most prevalent departmental basis is geographical. This arrangement has national and regional managers reporting to a headquarters in the same national or regional area. Geographic-based organizations for multinational corporations (MNCs) have the same characteristics as those for domestic organizations. Each national or regional office has all the resources necessary to produce and market the product or service. This organizational form is suitable for companies that want to maintain a high level of focus on customers and speed decision making at the local level. For example, Citigroup recently reorganized itself into a geographic organizational structure to focus the firm’s resources on emerging and other key markets. The goal is to increase the level of client service by “empowering the leaders of the geographic regions with the authority to make decisions on the ground.” [32]. MNCs having a diversified product line may find certain advantages in the product-based organizational structure. This structure assigns worldwide responsibility for a product or product line to a single corporate office, and all foreign and domestic units associated with

that product report to the corporate product office. MNCs with very restrictive product lines such as firms in the mining industry may optimize results using the function approach. According to this structure, a corporate office for each business function such as production, marketing, and finance has authority over those functions wherever they take place throughout the world. Thus, production personnel in Europe and South America as well as North America will report to corporate officials in charge of production. Although MNCs share certain common managerial and organizational problems, how they deal with them will reflect their own national culture as well as the local, host-country culture.

We can summarize our review of how MNCs organize by describing how many Japanese firms go about it. Typically, they concentrate on a relatively narrow set of business activities, unlike their typical Western counterparts that enter several lines of business. One effect of this difference is that Japanese employees perform relatively fewer specialized jobs with relatively more homogeneous skills and experiences due to the fewer business specialties to be performed. The typical Japanese manufacturing job has less range than the typical Western manufacturing job. The authority associated with each job is relatively less in Japanese firms, although the Japanese practice of participative management enables individual workers to have a say in matters that immediately affect their own jobs. Middle managers in Japanese firms are expected to initiate opportunities for workers to be involved, and they are evaluated on this criterion as well as on economic and performance criteria. Departments in Japanese firms are more often based on function and process than on product, customer, or location. The preference for the internal-oriented bases reflects again Japanese firms' preference to do business in fewer industries such that more complex divisional firms aren't as likely to develop. The Japanese have developed the practice of creating close ties with supplier organizations and thus have avoided the necessity of vertical integration as is the case of many Western business organizations. The differences between organizational structures in Japan and in the West can be accounted for by differences in business practices. These business practices are no doubt due to national and cultural developments in how business is done, not in how organizations are structured.

Virtual organizations

One of the fastest-developing practices in business throughout the world involves firms in cooperative relationships with their suppliers, distributors, and even competitors. These networks of relationships enable organizations to achieve both efficiency and flexibility to exploit advantages of the mechanistic and organic organizational designs. These “virtual organizations” have become so pervasive that some experts refer to them as the models for 21 st century organizations. [33, p.37-38]. Cooperative relationships enable the principal organization to rely upon the smaller, closer-to-the-market partner to sense impending changes in the environment and to respond at the local level, thus relieving the parent organization of that necessity.

A virtual organization (e.g., meetings, teams, offices, firms, and alliances) is a collection of geographically distributed, functionally and/or culturally diverse aggregations of individuals that is linked by electronic forms of communication. The virtual organization by necessity has to rely on somewhat blurred boundaries to forge relationships that are often governed by contract. The virtual unit is assembled and disassembled according to needs. An example of a virtual organization is Barclays’ global bank. The organization is a global network created by electronically linking extant networks of small, regional banks. Customers of the regional banks feel like they are a part of a large entity, Barclays, because they are provided with worldwide services. The feeling of being part of a worldwide entity exists, as customers remain members of their local community banks as well.

Figure 1.8 captures the main characteristics of virtual organizations. The characteristics are applicable to a movie production firm in which personnel are aggregated to complete a film; to an e-learning company preparing training courseware (that subject matter experts prepare) for delivery online to clients; to a manufacturing firm in which subcontractors—both domestically and globally based—provide raw materials, manufacturing processes, distribution and storage facilities, and research; and to development consortia, in which intellectual properties flow through the companies in a specific geographic region.

These attributes can be applied to any type of virtual team, unit, organization, or consortia. Proponents of the virtual style organization propose that the benefits of this type of arrangement are faster response time, autonomy, greater flexibility, and more efficient use of technical, behavioral, and professional expertise. The critics argue that virtual organizations mean increased conflict, decreased loyalty, a lack of any coherence in plans and strategies, information overload, and no social interaction fulfillment.

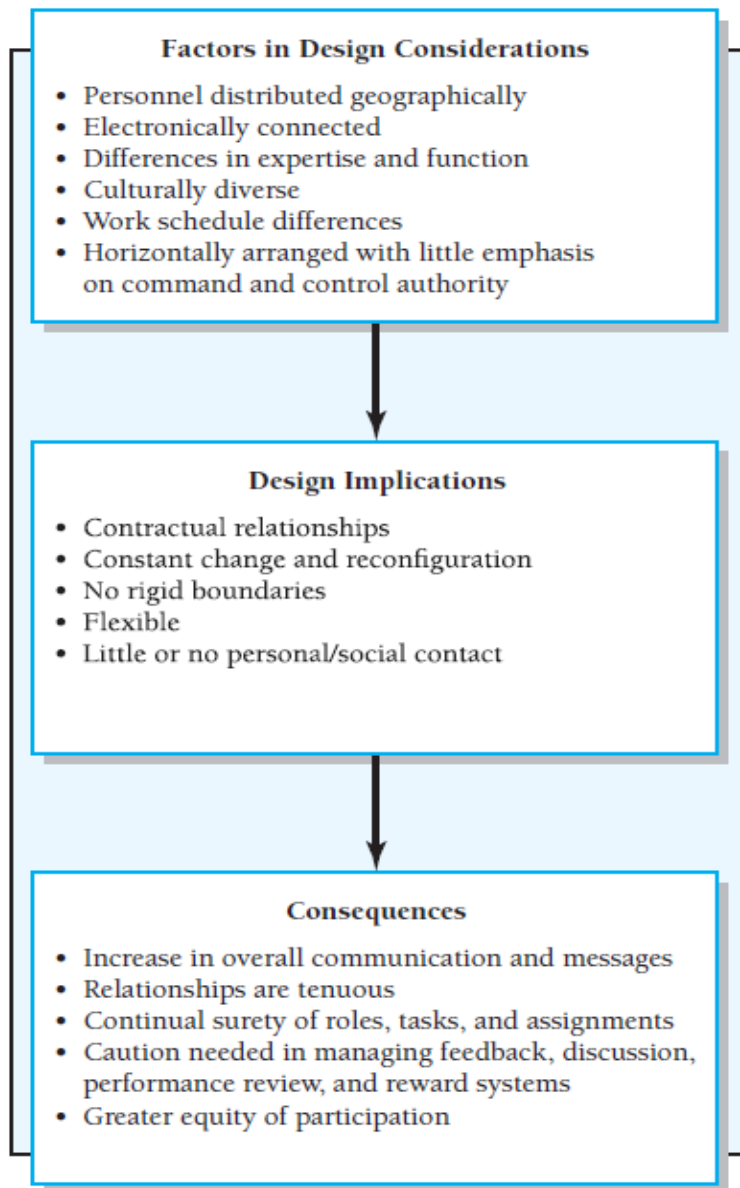


Figure 1.8 - Main characteristics of virtual organizations [12, p.495]

The Realities of Virtual Organizations

An organization is typically virtual to some degree. At one extreme, a firm is virtual to the extent that each step in the process of providing a product or service is outside the firm's boundaries. Some publishing firms typically perform manuscript selection and marketing in-house, while writing, editing, printing, and distribution are done outside the firm and in many instances through virtual connectivity.

The other extreme finds the fully integrated, mechanistic-type organization performing all aspects of management, production, sales, finance, and distribution. But even most of these types of traditional firms are making contractual and logistical arrangements to have some activities performed externally.

Transaction-cost theorists have studied why certain activities are kept within the firm while others are contracted or performed outside. The decisions are based on minimizing the combined cost of production and governance. If only production costs are considered, it is argued that these costs can be reduced as more production activities are performed externally. However, the costs of governance are often higher when firms purchase goods and services in the open market rather than in-house. The virtual organization is distinctively different from the mechanistic, organic, or matrix forms that have hierarchy, layers of management, and face-to-face control. The line and staff arrangement in these organizational design approaches is in-house. Virtual organizations are not always the best or most appropriate arrangement. The work, expertise, and goals of the firm must be reviewed carefully. The requirements of personal contact, regular hours, in-person negotiations, and employee needs must be determined. When there is a reasonable fit among the work, expertise, goals, and requirements, then a virtual organization should be considered as an option.

Work in e-commerce, consulting, marketing, and job searching seems best suited for virtual organizations. These jobs are service-oriented, require extensive communication, are dynamic, and are knowledge-based. There is also the issue of whether an organization has the managerial competence suited to lead, coordinate, facilitate, and provide constructive feedback to virtual organization workers.

The viability of a virtual organization as the proper design approach is centered on two major issues. First is the conclusion that the virtual arrangement results in economic gains of acquiring goods and services from specialized firms, which are able to provide these factors efficiently. Second is the assumption that computers and telecommunications networks reduce the costs of coordination, allowing organizations to achieve these economic benefits without incurring the higher transaction costs associated with buying from an external supplier.

The exact form of the appropriate virtual organization varies. Some organizations develop relationships only with key suppliers. Other organizations develop relationships with marketers and distributors. In the extreme case, the parent organization functions much like a broker and deals independently with product designers, producers, suppliers, and markets. The critical managerial and organizational decisions involve which of the functions to buy, which to produce, and how to manage and coordinate the relationships with their partners. Managers in these organizations have less environmental uncertainty to deal with because they have, in a sense, subcontracted that responsibility to their counterparts in the network. Such organizational structures are, in a sense, boundaryless organizations. Virtual organizations have come a long way since they originated in Japan, where firms create alliances with other firms. These alliances take the form of cooperative agreements, consortia, and equity ownerships to establish networks of businesses. In Japan, this form of doing business is termed *keiretsu* and involves a very large financial institution, a very large industrial conglomerate, and smaller firms in a network of relationships that enable the large firm to produce the product and the smaller firms to supply components, do research and design, and perhaps distribute and market.

The participating bank provides the financial requirements to support the network of cooperative relationships. This form of interorganizational network has enabled Japanese industry to grow without supply bottlenecks and damage to competition from domestic firms.

Boundaryless Organizations.

The command and control, top-down, mechanistic organizational design is orderly, specific, and relies on defined roles for employees, managers, and nonmanagers. Companies such as Motorola, Oticon A/S, and Coca-Cola are continuously attempting to minimize and, in some cases, eliminate vertical and horizontal structures, tightly defined work roles, and top-down control. They are working to achieve what is referred to as a boundaryless organization. The assumption these and other firms are making is that rigid structure and too much specificity create barriers within a firm and between a firm and its external suppliers and customers.

The minimization of layers results in a flatter hierarchy. There is still a hierarchy but there is less distance, less separation between top-level managers and other employees. The boundaryless organization also emphasizes participative decision making, multiple-hierarchy teams (executives, managers, operating employees), team building, and coordination. At Oticon A/S, a Danish hearing-aid manufacturer, hierarchy has been purposefully minimized. A project-team emphasis is used to oversee, coordinate, and plan all work. The functional departmental unit has been eliminated. Oticon A/S has concluded that functional departments create too many barriers to interaction, team building, and morale. Oticon A/S has decided to use project teams to tear down the barriers. Other firms, such as Xerox, use multidisciplinary teams that work on a single project from start to finish instead of using departmental units. To be effective with a more pronounced boundaryless design, Oticon A/S and Xerox must have a high level of trust between employees. Trust in these arrangements exists when individuals make a good faith effort to behave in accordance with expectations, are honest in all interactions, and do not take advantage of others even when the opportunity is available.⁸³ Individuals also need to possess good skills and competencies so work can be performed without constant managerial monitoring and feedback.

The effective boundaryless organization breaks down barriers with external constituents and distance. Strategic alliances and telecommunicating are examples of how to

break down barriers. The Japanese keiretsu relationship is an example of a vertical alliance between large corporations and their suppliers. Typically, the large business takes a minority ownership (e.g., 10 percent) in a supplier. The two organizations become bonded in a strategic partnership for their mutual gain. There is little room for communication, decision making, and strategic choice barriers in alliances. The leveraging of resources, achievement of goals, and reduction of risks are some of the reasons Coca-Cola and Apple Computer have adopted alliances to reduce unnecessary structural barriers with external constituents.

Telecommunicating (also called teleworking) is reducing barriers. The software engineer in Austin, Texas, and the engineering salesperson in Tacoma, Washington, are examples of millions of individuals who are doing their work outside of brick and mortar buildings. They represent a part of the virtual workforce. They are workers in boundaryless organizations that are connected via technology.

Conceptually, the boundaryless organization involves the breaking down of structure, hierarchy, specific roles, and distance. The virtual organization already discussed is one variation or type of boundaryless organization.

Groups, teams and departments exist to accomplish objectives. In the case of work groups, those objectives are generally related to the performance of specific tasks, which in turn are designed to result in attainment of formal organizational outcomes. Measurable production (e.g., number of units assembled, percent of market captured, number of customers served) is perhaps the most obvious, but certainly not the only, end result of work group activities.

While some form of production output (goods, services, ideas, etc.) is typically an important measure of group performance and effectiveness, it is not the only consideration. Organizational researcher Richard Hackman identifies three important criteria of group effectiveness:

1. The extent to which the group's productive output meets the standards of quantity, quality, and timeliness of the users of the output. For example, a group that produced

a product that was unacceptable to a customer could not be considered effective no matter what the group or others thought about the product.

2. The extent to which the group process of actually doing the work enhances the capability of group members to work together interdependently in the future. This suggests that even though the group might produce a product meeting the standards mentioned in the first criterion, if that end result was obtained in a manner destructive to future working relationships, the group is not effective. The fact that a group is a temporary one, such as a task force or project team, does not negate the importance of this criterion of effectiveness.
3. The extent to which the group experience contributes to the growth and well-being of its members. This criterion relates to the end results of development and satisfaction, which were specified in Exhibit 10.2. It is not necessary for a group to have member development and satisfaction as a stated objective for this to be a legitimate test of group effectiveness. When group participation does not contribute to personal or professional development and/or does not lead to any personal need satisfaction, this may have negative consequences. It suggests group productivity may not continue over an extended period, and it may have implications for the quality of group members' participation in subsequent groups.

These criteria are important ones for virtually any work group. However, they are particularly relevant for assessing the effectiveness of self-managed teams (SMTs). It is critical that SMTs enhance the capabilities of their members to work together interdependently in the future. Similarly, team member growth and well-being are equally necessary ingredients for SMT success.

Summary of models

Two important organizational design models are termed mechanistic and organic. Mechanistic design is characterized by highly specialized jobs, homogeneous departments, narrow spans of control, and relatively centralized authority. Organic designs, on the other

hand, include relatively despecialized jobs, heterogeneous departments, wide spans of control, and decentralized authority.

- Four key managerial decisions determine organizational structures. These decisions are concerned with dividing the work, delegating authority, departmentalizing jobs into groups, and determining spans of control.
- The term division of labor concerns the extent to which jobs are specialized. Dividing the overall task of the organization into smaller related tasks provides the technical and economic advantages found in specialization of labor.
- Delegating authority enables an individual to make decisions and extract obedience without approval by higher management. Like other organizational issues, delegated authority is a relative, not absolute, concept. All individuals in an organization have some authority. The question is whether they have enough to do their jobs.
- There are several forms, or bases, of departmentalization. Functional departmentalization groups jobs by the function performed (i.e., marketing, production, accounting). Geographic departmentalization groups jobs on the basis of geographical location. Product departmentalization groups jobs on the basis of the department's output. Customer departmentalization groups jobs on the basis of the users of the good or service provided.
- An organizational design that attempts to maximize the benefits and minimize the weakness of both the functional and product forms is known as a matrix design.

1.4. Key performance indicators (KPIs) as an approach to efficiency measurement

An *indicator* is simply a metric used to measure of the business and its different parts or features (how many hours employees work, the number of sick hours used, or the amount of

paper used etc). It's important to note that indicators are very likely meaningless, because they likely don't impact business. For example, does not really matter how many hours all of employees have worked over the last week - this can only if we use those hours to bill clients—but otherwise, there's nothing actionable we can do with that amount of data.

Performance indicator tracks a measure related to organization's performance. For example, manufacturing companies may choose to examine performance indicators around the number of raw materials sourced, the number of defects per manufactured lot, or the number of steps in manufacturing process. But a performance indicator is missing one thing: Its criticality to the business – that is why key performance indicator comes next.

Key performance indicators (KPIs) are the subset of performance indicators most critical to the business at the highest level of organization. KPIs are used to help measure progress toward achieving company's strategic goals. The most effective leadership teams track up to than 25 measures that cut across the organization's four perspectives: financial, customer, process, and people [34].

KPIs are measures used to evaluate the success of an organization. KPIs can be quantitative or qualitative in nature. Quantitative KPIs include metrics such as sales revenue per employee, number of customers served by each call center agent, or revenue. Qualitative KPIs, on the other hand, may include customer satisfaction scores, quality ratings, or product reliability rates. KPIs for measurement of efficacy aimed to find and use specific, clear and up-to date metrics to assess efficacy of periodical or regular basis. They need not only to track progress, but also to define the targets achieved or not and widely used for assessment and further motivation of employees. That is why so critical to select right and sensitive measurements for every business and here are main rules for correct KPIs in place.

Two of rules for selecting right KPIs are following:

- KISS (acronym means «Keep it simple» - they should be easily understandable for every employee)

- SMART KPIs (according to SMART scale, KPIs must be specific, measurable, attainable, realistic and oriented in time)

In scope of department, its tasks and responsibilities different KPIs can be established to track progress and results, as example:

Sales KPIs

- Total Sales Volume: Measures the total volume, in dollars, of sales each month. Create a monthly or quarterly target so that your sales team has a goal, and be sure to adjust it regularly for dips or increases in sales which might occur around seasonal events or holidays.
- Sales Cycle Length: Taking too long to complete a sale can negatively impact your bottom line and prevent you from reaching your quarterly goals. This KPI helps you measure how long it takes for a sale to be completed from start to finish.
- Sales By Product/Employee/Client or region, age, sex, demographic, interests, etc. This helps to see which clients are bringing in the most revenue and which are underperforming.
- Sales Cost to Volume Ratio: ratio of sales generated to cost of sales (salaries, marketing, logistics costs etc)

Financial KPIs:

- Revenue: In and of itself, revenue isn't a KPI, but depending on your business, there are a few ways to measure this in terms of performance. Calculating profit minus your costs and discounts is one of the main ways companies determine if they're generating revenue.
- Free Cash Flow: This metric measures how much company can generate compared to company's operation costs (subtract capital expenditures from your operating cash flow). This KPI is often used by investors to see if a business is profitable or not.

- Gross Profit Margin: Get a percentage value of total sales revenue. This KPI doesn't look at expenses, but instead focuses mainly on profits. It's a good yardstick to use when comparing your profits to that of your competitors.
- Net Profit Margin: This KPI looks at the total percentage of revenue after deduction of all expenses, like operating costs, taxes and interest. Net Profit Margin is more helpful for internal comparison of existing or potential profits.ⁱ

To track performance through KPIs companies use different tools – tables, counters, trackers, dashboards. These solutions can rely on existing systems or applications or designed and developed for specific need of separate company.

CHAPTER 2

EFFICIENCY AND PERFORMANCE MEASUREMENTS IN DR. REDDY'S

2.1. Common characteristics of global business of the company

Dr. Reddy's Laboratories - multinational pharmaceutical company located in India. The company was founded in 1984 and now manufactures and markets a wide range of pharmaceuticals locally and worldwide [35]. The company has over 190 medications, 60 active pharmaceutical ingredients (APIs) for drug manufacture, diagnostic kits, critical care, and biotechnology products [36].

For now company counts over 21650 employees worldwide and operates in 56 countries.

Business of Dr. Reddy's includes three main directions:

1. Global generics (GG) - biggest business driver. Company offers more than 550 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations. Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, makes us leaders in this segment.

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives. Product development capabilities and commercial reach have given an established presence in this segment. Company has six products in the market and an industry leading pipeline spanning oncology and autoimmune diseases. Biggest revenue comes from US, then India and emerging markets and finally Europe.

2. Active pharmaceuticals ingredients (API) –

is also one of core businesses. We partner with several leading generic formulation companies in bringing their molecules first to the market. Focus on innovation-led affordability gives customers access to the most complex active ingredients, while

maintaining a consistent global quality standard. API development efforts enable own generics business to be cost competitive and get to market faster.

Aurigene pharmaceutical services - custom pharmaceutical business is a promising future growth driver. Company offers end-to-end product development and manufacturing services and solutions to innovator companies. Rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

Proprietary products & others - in proprietary Products business, company sold own U.S. and select territory rights for the commercialized portfolio of Derma and Neurology therapies that were being marketed in U.S. Focus is now on development of differentiated formulations for global markets. The aim is to improve the patient's holistic experience with medicines, so as to improve efficacy, ease of use and the resolution of unmet patient needs.

As stated in company annual report 2021, revenue overcomes 2.3b USD, operating income was 210m USD, Net income of 260m USD. Total assets were estimated as 3.0b USD and total equity of 2.0b USD [37].

Details on growth in main KPIs versus previous years also presented below on Fig.2.1

KEY PERFORMANCE INDICATORS

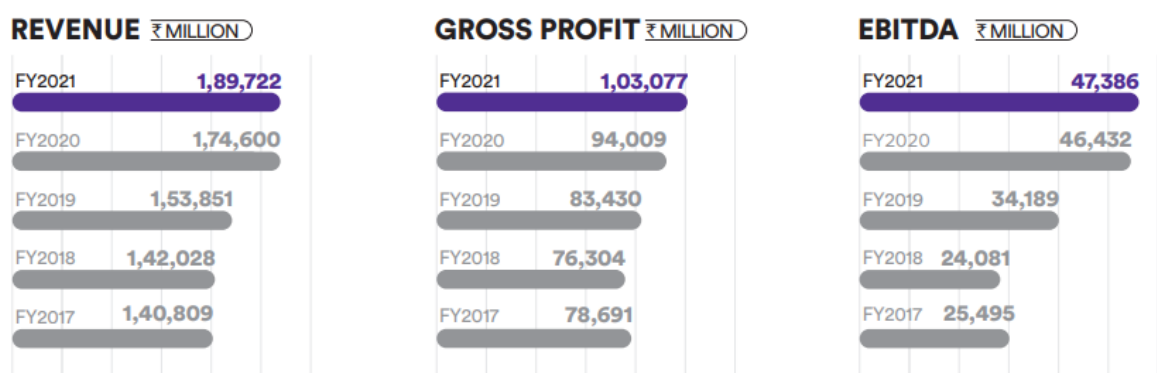


Figure 2.1 - Growth in main KPIs [37], prepared by author

Dynamic of stock price shown below through maximal period of time on Figure 2.2.

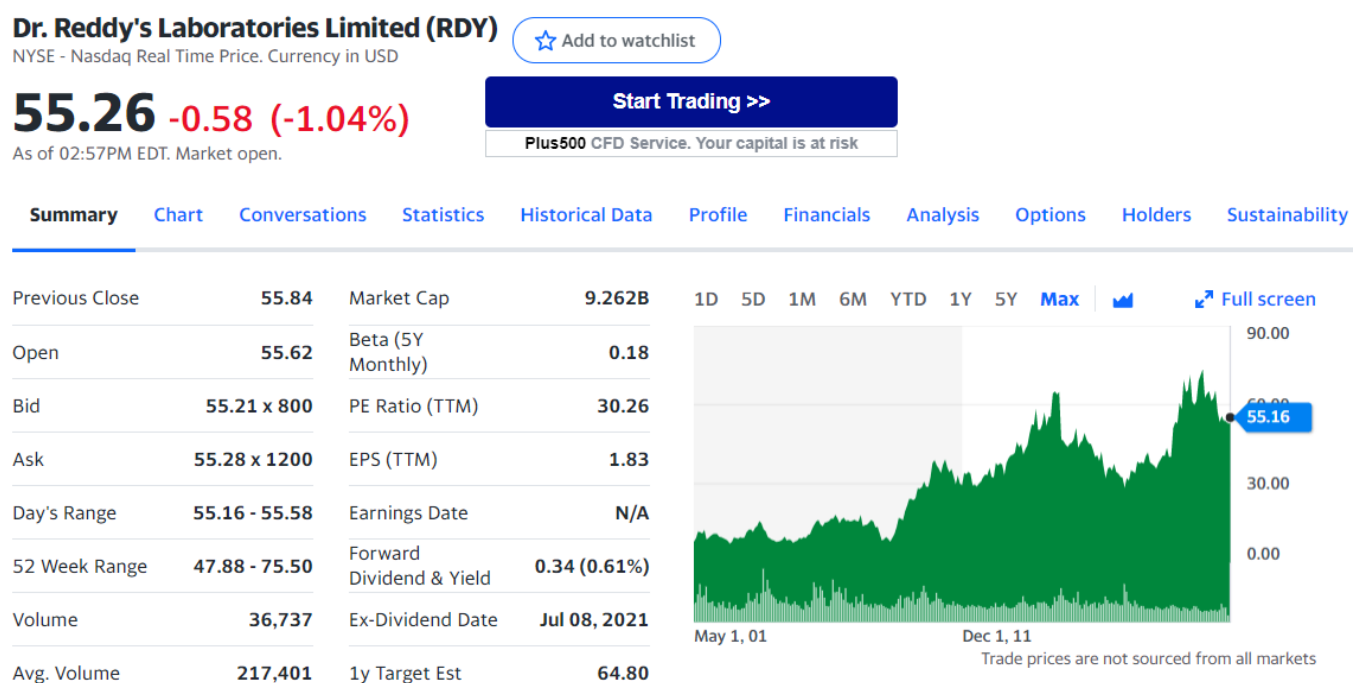


Figure 2.2 - Stock price dynamics (period – maximal) [38], prepared by author

Production and quality

Reinvesting most of the money we earn in research and development contributes to our continued development. These investments have led to the creation of a powerful research and development function not only in India but all over the world. Although the product development centers in Hyderabad and Bangalore do most of the work, they also work closely with centers in the United States, the United Kingdom and the Netherlands.

Generic production is the largest part of our business. Thus, generic development capabilities are a key hallmark of our business. We have great potential for the production of the most complex pharmaceutical ingredients: new crystalline and amorphous forms, semi-synthetic APIs, chiral compounds, prostaglandins, peptides, carbohydrates, and nanoparticle-based products. The level of our analytical equipment corresponds to the complexity of API data. We easily solve such tasks as conducting detailed physicochemical analysis to determine the structure of particles, amino acid sequence, secondary and tertiary

structure. Advanced particle technology and the introduction of sophisticated laboratory approaches (such as the use of microspheres or liposomal technologies) allow us to create extremely complex products and medicines that require special marketing strategies.

On the other hand, the fastest growing part of our business is biological medicines. Our research capabilities in this area are growing in line with its increasing importance. “Dr. Reddy’s” has the potential for a full cycle of research in the field of biological medicines through a combination of best practices and the efforts of Research Centers in Hyderabad, Basel and Princeton.

The development of the latest cell culture technologies in the production process, together with the possibilities of bioanalysis and extensive experience in conducting clinical trials on healthy volunteers and patients, contributes to the development of our products. In addition, our expertise in drug registration should be emphasized, as we have extensive experience working with leading regulators, including in the EU and the US.

Approach to quality of medicines

Dr.Reddy`s apply uniform high quality standards, regardless of the place of production of medicines. In Dr. At Reddy`s, we believe that medicines should at least meet the requirements of the pharmacopoeia. Our policy is to continuously improve production processes and medicines, so we are constantly working to raise standards. Stable quality is not accidental, as it is the result of the implemented Quality Management System (QMS), which is carefully thought out and clearly implemented.

QMS focuses on continuous improvement, which aims to optimize processes and eliminate production stages that are economically unprofitable. To achieve this, we are implementing a process that consists of four steps:

- Application of the approach "Quality at the stage of development" (Quality by Design - QbD) in production and identification of the causes of process variability and its minimization on a permanent basis

- Proper execution of all operations from the first time. Identification and elimination of defects. Increasing the effectiveness of drugs
- Use of a risk-based approach in production
- Ensuring transparency in all areas of activity and the formation of a permanent "culture of quality"

2.2. Dr. Reddy`s LLC in Ukraine: description of main priorities and activities

Dr. Reddy`s entered the Ukrainian pharmaceutical market in 1994, opening a representative office in Kyiv on February 5, 1994 [39]. The initial product portfolio consisted of eight drugs, including omeprazole, ciprofloxacin, enalapril, ketorolac, ranitidine, astemizole, a combination of ibuprofen and paracetamol, and a combination of ibuprofen, ketone, and amide.

Steadily developing almost 30 years, the company has significantly expanded its portfolio: today there are more than 70 drugs of various forms on the Ukrainian market.

In 2011, a 100% subsidiary of Dr. Reddy's Laboratories in Ukraine. The subsidiary is developing rapidly, and the company's activities cover all regions of the country.

Stable development of "Dr. Reddy's" LLC is provided by more than 250 specialists in Ukraine. Their qualifications are the secret of the company's success. Numerous trainings and specialized educational programs organized by the company help each employee to improve their professional level, self-improvement and daily strive for new achievements.

In 2022 Dr. Reddy`s LLC came with following business directions:

1. OTC business (over-the-counter medicines)

Company is actively working to develop over-the-counter drugs. These important medicines are in demand by many people. Dr. Reddy's manufactures and markets over-the-counter medicines, namely medicines for allergies, colds and flu, gastroenterological and gynecological diseases. Company brings biologically active supplements to market. In the coming years, Dr. Reddy's will continue to explore production and legal capabilities and will offer over-the-counter versions of our generics. In Ukraine, several brands in our over-the-counter portfolio are leading brands in their respective categories, and many patients trust them, for example: Cetrine (cetirizine), Flucold-N (paracetamol + chlorpheniramine + phenylephrine + caffeine), Dolaren, Senade, Bion 3 * (multivitamins + probiotics + minerals; food supplements).

2. RX business

Generics, including dosage forms of tablets, capsules, injections and creams for topical use, are the largest part of our portfolio of medicines. The portfolio includes drugs from major therapeutic areas. These drugs are used to treat diseases of the gastrointestinal tract, cardiovascular disease, and various types of pain. In addition to the above, widely available drugs for the treatment and prevention of infectious diseases, pediatric and dermatological drugs.

We manage the manufacturing process from start to finish, from the production of active pharmaceutical ingredients to the development of dosage forms and their distribution through our well-established delivery system. We use our main trump card - one of the largest production facilities in India - to significantly reduce the price of medicines for our customers. Our in-depth knowledge of state registration rules and intellectual property issues also helps us provide millions of people around the world with access to high-quality, fully compliant medicines.

In Ukraine, our drugs are available under trade names, such as: Omez (omeprazole), Zovanta (pantoprazole), Nice (nimesulide), Ketorol (ketorolac), Naisylate (amtolmetin),

Neurobion * (B-vitamin complex), Ciprolet (ciprofloxacin), Levolet (levofloxacin), Plagril (clopidogrel), Atocor (atorvastatin), Telsartan (telmisartan), Carvidex (carvedilol), Enam (enalapril), Stamlo (amlodipine) and many others. Over the years, these brands have established themselves as leaders in the relevant categories.

3. Oncology

Oncology is an area where we successfully demonstrate our cutting-edge research capabilities. Among our many achievements are the development of the world's first biosimilar recombinant monoclonal granulocyte colony stimulating factor (GCSF), the world's first biosimilar therapeutic monoclonal antibody and a unique analogue of pegfilgrastim.

We have provided patients in Ukraine with access to a wide portfolio of high-quality and affordable drugs for the treatment of cancer, including Mitotax (paclitaxel), Cytogem (gemcitabine), Blaster (zoledronic acid), Pamired (pamidronic acid), and Bretzer (bortezomib). Our capabilities in drug development and representation in the field of oncology in many countries around the world have also quickly made us one of the key players in this relatively new niche, which, however, is developing rapidly.

In Ukraine, we have launched two biosimilars, namely: Reditux (rituximab) for the treatment of non-Hodgkin's lymphoma and Grastim (filgrastim). We are constantly working to expand our portfolio in this important therapeutic area and are currently working on the registration of several new drugs to provide patients with access to vital, life-saving drugs.

Regarding therapeutic areas the biggest focus now on:

- Gastroenterology
- Heart and vessel diseases
- Pain management
- Oncology

2.3. Efficacy measurement and KPIs in annual performance targets

On example of department head I will present current system for goal setting and estimation of efficacy on annual basis. Special corporate portal exists for defining annual targets, before submitting they should be defined, discussed and approve with L+1 manager (for me is Regional Country Head). After this these goals to be submitted in the system.

Apart of this, every target is weighted from 0% to 100% to have in sum 100% - this clearly reflects business priorities and presented as a basis for annual bonus calculation. Key 6 annual targets for me as department head reflected on common Figure 2.3 below

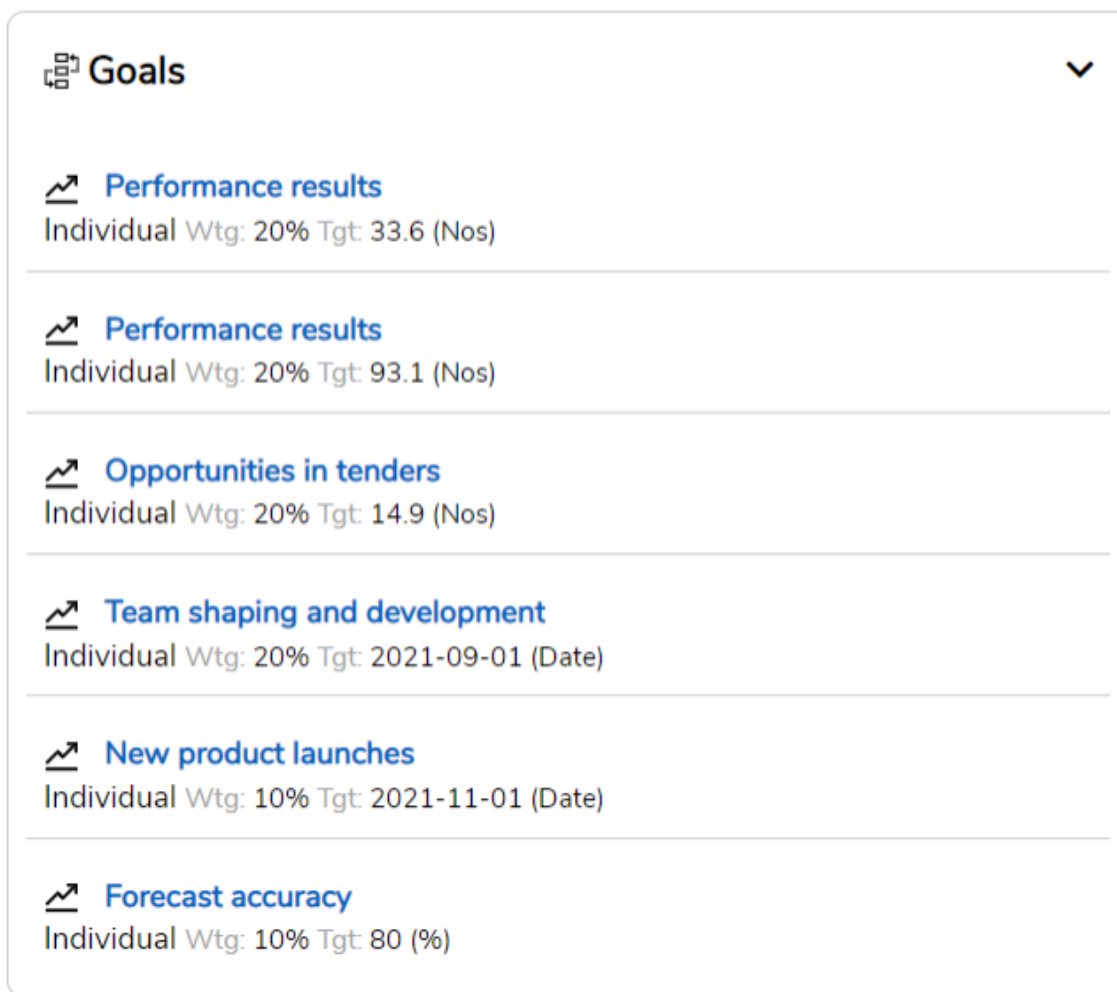


Figure 2.3 - Annual targets for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

We will review all of them here.

1.Target Net sales performance (Figure 2.3)

Name	 Performance results
Description	Net sales target for ONCO department (mUAH)
Weightage	20%
Target	93.1 (Nos)
Original Target	93.1 (Nos)

Figure 2.4 – Net sales target for Head of department in iHub 3.0 (on the basis of proprietary Reddy`s System) [40] - built by the author

Describes target level of annual net sales to be met.

Net sales means figures of sales after all discounts for commercial partners. Its logical to have this first for business department. In previous years we had Revenue indicator which was replaced on Net sales – department can generate bigger revenue with same or lower Net sales using different commercial discounts so eventually we will receive great revenue but less Net sales.

This target is being monitored on regular basis to check whether we can reach this with current sales dynamic or not. Apart of this, on regular meeting we discuss what can be done to speed up sales or in case of sufficient sales dynamics we car report our opportunity to over-perform Net sales target to headquarter (HQ) in India.

This indicator is monitored based on Net sales result prepared by commercial department on monthly basis. Commercial employees collect all sales reports, calculate discounts and keep in mind exchange rates and eventually present Net sales monthly report to all involved (finance head, department heads, general manager etc).

2.Target T-OE (Figure 2.4)

Name	 Performance results
Description	Target T-OE for ONCO portfolio (mUAH)
Weightage	20%
Target	33.6 (Nos)
Original Target	33.6 (Nos)

Figure 2.5 - T-OE targets for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

T-OE indicator means target sale minus Operational Expenses.

Basically that means profit after exclusion all expenses for operational activities, such as salary, car and insurance costs, marketing and sales costs etc.

This indicator is calculated of quarterly basis to monitor our movement toward target.

3. Sales in tenders (Figure 2.5)

Name	 Opportunities in tenders
Description	Create opportunities for sales in national & regional tenders (mUAH, gross)
Weightage	20%
Target	14.9 (Nos)
Original Target	14.9 (Nos)

Figure 2.6. – Tender sales target for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

There are three main sales channels for oncology business – retail sales (sales came after prescriptions of oncologists), national tenders and regional renders. This indicator reflects

our target in last two channels and suggest win and supply tenders on national (by Ministry of Health Ukraine) and regional procurements (for regional funds or hospital funds).

It aimed to collect all opportunities and count possibility of winning in those tenders understanding market realities, annual need in onco drugs by state and regional hospitals, annual purchase plan, price level of competitors and many other data.

This target can be monitored through electronic system of public procurement Prozorro (<https://prozorro.gov.ua/>), but in military conditions this procedure removed by special way described in two orders of Cabinet of Ministers of Ukraine - #169 dated 28/02/22 and #216 dated 07/03/22.

4. Team shaping and development (Figure 2.6)

Name	 Team shaping and development
Description	SFM and BMs to be hired in new ONCO structure till 01/09/2021
Weightage	20%
Target	2021-09-01 (Date)
Original Target	2021-09-01 (Date)

Figure 2.7 - Team target for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

One more target is dedicated to people development and forming appropriate structure of department. Positions inside department can be divided onto sales (KAS – key account specialist) and marketing (BM -brand managers).

I joint the company in conditions when two vacant positions were in department which should be filled (position of brand managers) to perform marketing activities. Development means possible internal carrier promotion and constant people development in their roles.

To perform this target new BMs should be hired in mentioned terms, timelines for constant team development are also defined as it runs on regular basis.

Below is desirable org chart for Oncology department (Figure 2.7)

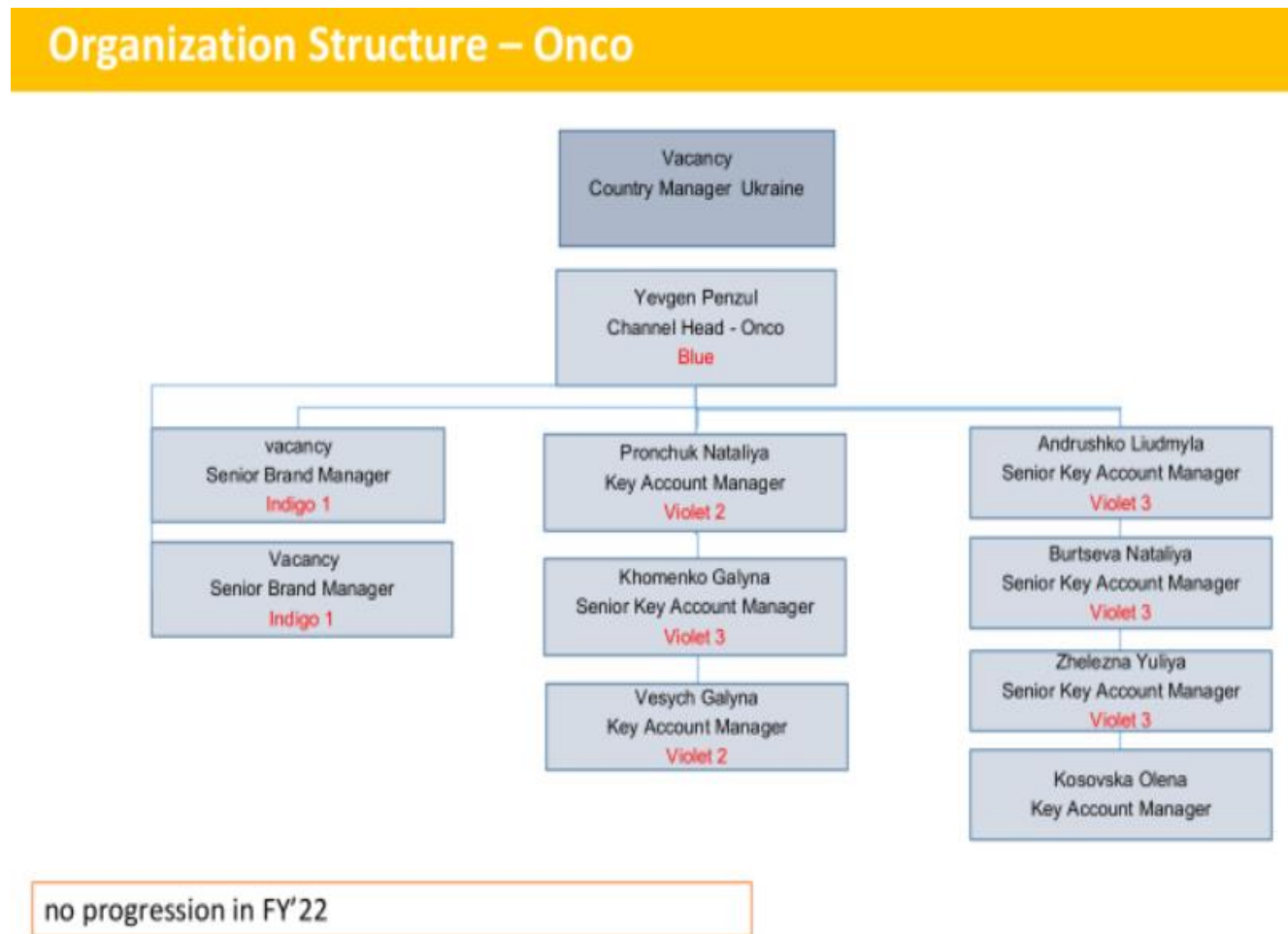


Figure 2.8 - Team target for Head of department [40] - built by the author

As for now annual task for me is hire 2 brand managers which is hard in military conditions.

5. New product launches (Figure 2.8)

Name	 New product launches
Description	Falvax and Teronred to be launched till 01/11/2021
Weightage	10%
Target	2021-11-01 (Date)
Original Target	2021-11-01 (Date)

Figure 2.9 - Launch target for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

For now product portfolio suggest 10 products with different forms of issues (they called SKUs). There are three ways to increase sales based on existing product portfolio:

- To extend LoT (length of treatment) – this approach is limited by indication for medical use in instruction and cannot be changed in extension size
- To increase dosage for medical use – patient will take more drugs for treatment course
- To introduce new indications for medical use basing on clinical trial results

When opportunities above already limited, company needs to extend portfolio with new products. This allows to generate additional value, extend existing portfolio, enter new therapeutical segments and pick up new customers.

Product launch is the process of commercialization of the product for new market. Some company call using this word product approval or first communication, In Dr Reddy`s we count launch as first commercial supply or first sales to commercial partners.

6. Forecast accuracy (Figure 2.10)

Name	 Forecast accuracy
Description	Demonstrate constant accuracy rates over 80% since 01/09/2012
Weightage	10%
Target	80 (%)
Original Target	80 (%)

Figure 2.10 - Forecast accuracy target for Head of department in iHub 3.0 (on the basis of proprietary Dr. Reddy`s System) [40] - built by the author

As we work in Ukraine as a company with own import, its crucial to maintain correct level of forecast accuracy. That means that forecasted level of sales should have possible discrepancy not more that 5% of plan. Bigger difference impacts manufacturing, warehouse and import processes.It is monitored on regular basis in system called Kynaxis where we plan and check differences on monthly basis.

Above I described KPIs to measure my effectiveness as head of department. They are regularly monitored with help of:

- Primary sales reports by commercial team (monthly)
- Secondary sales by SFE department (weekly, monthly)
- Financial tables (P&L, T-AE) from financial team - quarterly
- Stocks reports from logistics (monthly)
- Rolling forecast to update forecasts based on current dynamics (monthly)
- HR reports on vacancies filling
- Market share data from 3rd party vendor
- EI (Evolution Index) from 3rd party vendor
- Open sources (tender results)

For assessment of onco team`s performance I use dashboards created by me based on sales data. They allow to pick up quickly all needed data in different slices (employee, region, product etc), here you see example of one (Figure 2.11)

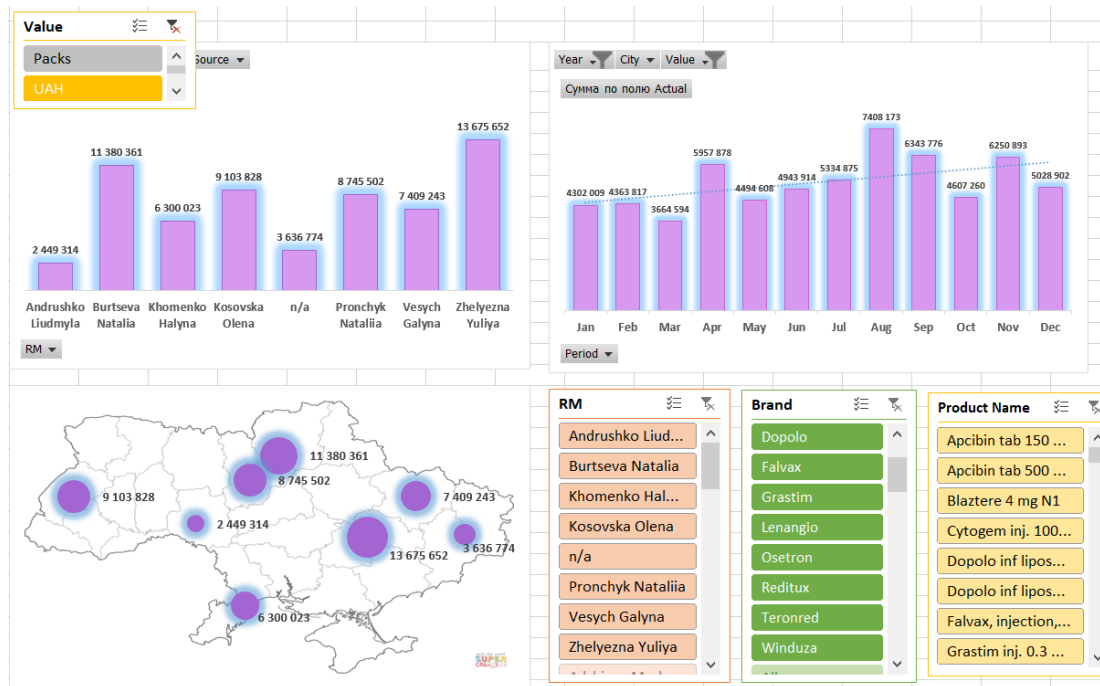


Figure 2.11 - Regional sales report FY'22 [Application 1] - built by the author

Regarding criteria of efficacy for entire department key indicator is sales level. So the key point for measurement of business department is sales figures and growth through the years. Below I will focus on possible actions for sales growth and describe what and how we do from them.

CHAPTER 3

IMPROVING OF EFFICIENCY FOR ONCOLOGY DEPARTMENT

3.1. Analysis of business opportunities based on business development approach

I performed a review of all opportunities through prism of business development course (presented by Ganna Skytova in 2021 in scope of MBA education) [41].

Business development can be defined as following:

- «Business development entails tasks and processes to *develop and implement growth opportunities* within and between organizations.[42, p.169]
- «Business development is defined as the tasks and processes concerning analytical preparation of *potential growth opportunities*, and the support and monitoring of the implementation of growth opportunities, but does not include decisions on strategy and implementation of growth opportunities» [43]
- «Business development can be summarized as the ideas, initiatives and activities aimed towards making a business better. This includes *increasing revenues, growth in terms of business expansion*, increasing profitability by building strategic partnerships, and making strategic business decisions» [44]

Common types of business development:

1. Acquisitions - Acquiring firms to grow revenue or acquire capabilities for growth.

In global company takes such decisions on HQ (headquarter level) but on country or department level – not, that’s why this point is not applicable for now.

2. Partners - developing strategic partnerships to expand sales or develop new products (for example, co-branding a product or co-promotional activities)

Commercial model of Dr Reddy`s suggest sales through commercial partner from own warehouse inside the country. These partners are key local pharma distributors (Optima, BaDM etc) and pharmacy chains relative to oncology area.

Latest partnering model suggest sales part of onco products through distributors and part through chains. This model looked not so appropriate for business needs so I started to analyze the market to define the best solution.

Key reasons of changing partnering models were following:

- We need to provide patient with access to oncology products throughout Ukraine
- Speed of access should be quick – such patients usually cannot wait for start of their treatment through burden of disease
- Partners should be able to grant sufficient stock of products

Taking these all into account, I proposed and approved updated partnering model:

- All partners are able to order any onco products
- Commercial conditions are slightly differentiated in scope of discounts and prepayment terms
- List of partners was reduced to remove partners with low commercial activities

Apart of this, I started to discover new partners in face of state purchase agency «Medical procurements of Ukraine» [45]. This Agency was created to serve medical purchases (tenders) for all Ukraine in different directions (now 30), including oncology. Before 2016 all medical procurements belonged to Ministry of Health, but were given to Agency to reduce costs, receive better commercial conditions from suppliers and re-allocate resources of MoH.

Before 2022 we participated with our products through partners (distributors) in annual tenders, since 2022 I contacted directly for plenty of reasons:

- Shorten time of communications (resend or edit documents, ask questions, receive feedbacks etc)
- Creating the image and reputation with experience of direct collaboration
- We can offer better price without distributor with its margin
- We can sign contract directly from Dr. Reddy's India

Right now these relations in progress as we submitted commercial offer to participate in tender 2022 process.

Besides of this, I initiated collaboration with new type of partners – NGOs and patient's organizations. Since 2021 we collaborated with «Association of patients with lymphoproliferative diseases» [46] and Public unity «Orphan diseases of Ukraine» [47]

This needed for better understanding of patients needs, their quantity and many specific data to provide them with greater support and better access to treatment.

3. Investments

Basically that means investing in growth engines such as startups etc

For this direction I have limited opportunity because such decisions usually taken by HQ. We can only manage our marketing costs for participation in medical conferences (CME – continuing medical education of doctors), medical press etc

4. Branding

In general, it defines developing a new brand or extending an existing brand.

Regarding to developing new brands there is special process. As Dr. Reddy's is generic company, in general company is checking for most potential drugs and their patent protection shortage. On a country level we can influence on selection process and express our interest to separate molecules. This process suggests future portfolio development and based on deep assessment of commercial potential in the country.

After getting proposals on new molecules from HQ we start preparing business case. That includes collaboration between medical and business departments and looks like:

- Medical defines medical need (number of existing and potential patients, disease dynamics, current and future treatment standards, results of treatment, preferences of prescribers, number of indications for medical use, length of treatment, dosage and administration forms etc)
- From business perspectives I assess size of market, number and activities of competitors, future applications and approvals in the country, prices, perspective of state and regional purchases or tenders and P&L for future molecules (costs and potential profit)

After these preparations we create business case (example in Figure 3.1)

Details from Market								
Molecule	Drug X							
Indication	Advanced RCC Advanced STS							
Type of Launch(FFTL/LTL/)	FGTL							
Expected Launch Year	2022							
Patent Status								
Innovator Details								
Innovator brand present in Country	No							
Innovator Company	GSK							
Innovator Brand Name	VOTRIENT							
Innovator Dosage Form	200mg, 400mg							
Innovator Pack Details	N830							
DRL Product details								
Formulation type (OSD/Inj/Syrup)	Tablets							
Strength (mg/ml)	400mg							

	Numbers	Reference
MoH demand of sunitinib/Drug X, 12-week courses	5 681	
Total packs of Sunitinib purchased	42 216	
Total packs of Drug X purchased	2 262	
Consumption of Sunitinib, packs/month	3 586	
Speed of consumption, % on mid Jan 22	59,5%	

TENDER MARKET	2020	2021	2022	2023	2024	2025	2026	2027
Market Growth (RCC)*		2%	2%	2%	2%	2%	2%	2%
Sunitinib market units (vol)		42 216						
Drug X market units (vol)		2 262	32 291	32 775	33 267	33 766	34 272	34 786
Sunitinib Price (\$)		149						
Drug X Price (\$)		153						
Market Size (\$) - Projected		6 636 270	3 874 896	3 605 268	3 160 345	2 532 435	2 227 698	1 739 318
Yr of Gx Entry								
Innovator Share (Assumption)		100%	0%	0%	0%	0%	0%	0%
BGx Share(Assumption)		0%	100%	100%	100%	100%	100%	100%
DRL Share (2nd Gx)- MS Assumption Drug X		0%	100%	100%	100%	100%	100%	100%
DRL volume			16 145	16 388	16 633	16 883	17 136	17 393
Price (\$)			120	110	95	75	65	50
DRL Value (\$) - Drug X (50% tender share)			\$1 937 448	\$1 802 634	\$1 580 173	\$1 266 217	\$1 113 849	\$869 659
Total Patients on DRL Drug X		1 307	664	673	684	694	704	715

Figure 3.1 - Business case template [Application 2] - built by the author

As seen, this includes sales forecast in packs with price proposed by local team for Ukrainian market.

Forecast involves 5+ years to present possible commercial lifecycle and also demonstrate sales in different segments with pressure from competitors. Forecast usually includes considerations on both retail and tender perspectives.

During 2021 I created these new simplified templates for assessment so they allow us to submit 8 business cases which should become products in Ukraine upcoming years.

5. Extending of existing brands

That means in pharma adding new indications for medical use to already existing.

Basically that happens when results of clinical trials demonstrated superior efficacy to comparator and country can apply requirement to State Expert Center to approve this indication locally.

Of course this provides product with new sales perspectives, entrance in new therapeutic area and possibly allows to participate in state purchases.

Apart of new indications, there are a lot of possibilities in introducing new forms of issue inside existing indications (for example, tablets in addition to ampules or way of injections instead of infusion). Usually this stimulate sales as brings new options for treatment, additional benefits for doctor and patient.

Me with medical colleagues introduced new administration way (injection) for one drug which allows patient to take drug in home conditions and not to attend hospital – this reduces patient`s costs and allows hospital re allocate resources better. One more product received new indication in rheumatologically segment – for now we define the strategy which should cover it in best way to provide us quick entrance and sales.

6. Product development

Having more or less mature products in portfolio and strict local regulation rules of promotion for RX-drugs, it takes additional creativity to find new solutions of product development. Basic thing which is performed on regular basis – promotional activity.

Its conducted by few ways – main is by sales force (KASs) and usually brings basic sales revenue. Apart of this, we participate in national and regional events (conferences, round tables) and support educational projects for specialists. We also make publications in highly specialized medical press focused on oncologists to deliver our product and promotional messages.

Business model (or commercial model) is partially described– we import our medicines to Ukraine on local warehouse, then sell them to our contracted partners. They resell these products to pharmacy chains throughout Ukraine and to hospitals and private clinics directly.

Our partners (distributors) covers over 95% of market, distribute goods in every regions of Ukraine (during military conditions time some regions remain out of scope) and for now that's completely enough to provide access to our drugs for every hospital or client.

Our partners (pharmacy chains) are highly specialized in oncology sales and provide target delivery for every separate patient prescribed with medicine of Dr. Reddy`s.

As we cannot sell to everyone apart from Commercial policy (internal SOP), this part of business development should not be changed at the moment. Other changes made I describer in section «Partners»

7. G-to-Market - Developing new target markets for product and services

Work on developing new target markets has already been started as I joint the team in 2021. From one hand, oncological drugs cannot be prescribe out of onco diagnosis so that defines our market itself. From the other hand, we can find or create new sales channels.

As I previously mentioned, for now we have 3 main sales channels:

- Retail sales (regular sales came after prescriptions made by oncologists) – biggest one
- National tenders (performed by SE MPU) on annual basis – not so regular, hardly predictable but in case of winning can bring yearly sales
- Regional procurements or tenders - smallest one but also playing role in full Figure

New channels which I develop now are:

1. Sales in charity funds caring oncology patients (for now list of those bodies completed, strategy for coverage is under selection)
2. Sales in clinical trials

Clinical trials in Ukraine suggest full coverage with medicines for patients involved. But time to time trial has ended with patients still alive who needs treatment they receive in investigation. For such cases I fulfilled the table with data on all clinical trials running in Ukraine from State Expert Center [48] After war end we will cover all entities involved in clinical trials to ensure possible patients needed treatment and clarify our opportunities in sales.

8. Distribution - Developing new channels

As I already noted, list of distributors already approved and remain stable during a year. Opportunity which I am considering is to arrange sales in Moldova. Formally its out of my responsibility covering Ukraine, but this option looks interesting even realizing possible number of patients – if we apply local projection of population to patients, potentially we can imagine approximately 50 000 onco patients in Moldova. This growth opportunity I will check with my manager after war ends.

3.2. Comparison of alternatives for sales growth as performance metric

I performed analysis of all sources for business growth taking into account possible directions above and here will describe and calculate all these options

1. Basic scenario of organic growth (Figure 3.2)

This option includes planned growth and development of existing products based on regular activities – face-to-face visits, marketing events and chasing opportunities in regional tenders.

This Figure below was presented during budget process in January 2021 and reflects sales expectation by products – product names blinded for commercial reasons, figures above columns indicate annual growth in mln UAH. Red column shows sales loss due to expired and forgoing products in portfolio.

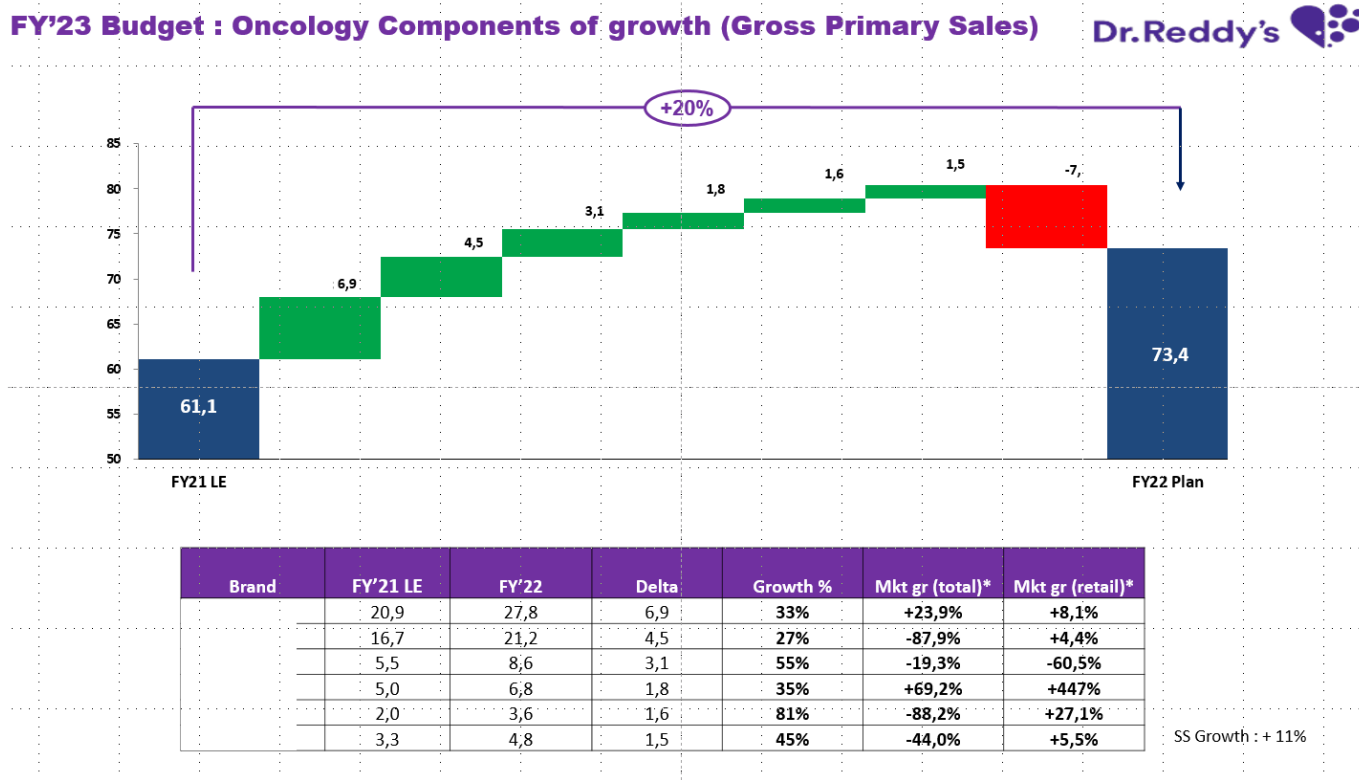


Figure 3.2 – Basics scenario of growth from Budget review presentation FY`22 [Application 3], built by the author

In total we assume to grow on 20% or + 12,3 mUAH in sales.

2. Scenario on new product launches (Table 3.3)

This scenario relies on registration, marketing and sales on newly approved molecules in the country. Generally, it runs in parallel with organic growth but can be considered as alternative option for Scenario 1. In details this process I described in pp 62-64 so here will be only calculations.

Methodologically I took all submitted business cases, assessed probability of local launch and multiplied it onto possible sales volume as seen below

Table 3.3 - Sales forecast 2022-2026, built by the author

INN (Product)	Probability, %	Incremental sales, mUAH	2022-2026 sales, mUAH
Pazopanib	40	32,0	12,8
Carfilzomib	75	14,6	10,95
Palbociclib	15	16,2	2,43
Nilotinib	20	45,4	9,08
DMF	25	4,9	1,22
Dasatinib	50	0,9	0,45
Ibrutinib	40	5,3	2,12
TOTAL		119,3	39,05

We received 39 mUAH for 5-years period which **is less than 8m** UAH per year. Main risks here that we cannot predict the clear dates of approval and commercialization so this

sum can be spread uneven from year to year. Second reason is risk of winning in state purchases – these figures include sales through all channels.

3. Scenario of slight changes in partnering commercial model (Table 3.4)

In 2021 and previous years sales of onco products were conducted through both types of partners – some of products being sold through distributors, some through Pharmacy chains. From 2022 all types of partners can purchase full onco portfolio to provide best possible access to our drugs for oncological patients and increase speed of delivery for those who in severe condition and need treatment as soon as possible.

By preliminary calculations this can allows to grow sales up to 3.9% (+2.4 mUAH) as indicated in table below

Table 3.4 - Primary sales reports and forecast, built by the author

Partner	Sales in 2021, mUAH	Potential growth, %	Sales in 2022, mUAH
Distributor B	21,9	-2%	21,462
Distributor O	14,8	-3%	14,356
Distributor A	9,2	6%	9,752
Pharmacy Chain A	3,3	2%	3,366
Pharmacy Chain C	5,6	10%	6,16
Pharmacy Chain S	3,4	35%	4,59
Pharmacy Chain F	2,9	30%	3,77
TOTAL	61.1		63.5

Conclusion: from those three scenarios first one (organic growth) looks preferable in scope potential growth and more reliable regarding product portfolio.

By this topic I highlighted possible options for sales growth – this indicator reflects efficacy of onco business and will be assessed on regular basis (month, quarter, year).

3.3. Risk of implementation for proposed scenarios

Since 24.02.2022 we faced with war aggression from Russian federation which is now still running. For the moment its unpredictable in scope of terms of ending, territory issues and many others political, economic and social features.

For example, economic losses reached 564-600 bUSD [49]. Total population left Ukraine is 6.5m people with over 8 million moved internally [50]. Approximately 86% of companies stopped or suspend working [51]

Dr. Reddy's LLC stopped their commercial operations since 24.02 due to significant threats for employees on safety reasons. Activities were stopped: visits to doctors and pharmacies, marketing activities, visits to office and other business operations.

Activities which were resumed during March-May: education of employees (product and sales trainings, psychological support and webinars, Teams calls and meetings). For now company releases their drugs for commercial partners who restored operations in relatively safe regions (warehouse is operating with 1-2 employee), processes of registration for products are working as well. Company is considering the opportunities to resume visits in regions with stable situation after analysis of business needs and approval from L+1 manager.

3.4. Corporate social responsibility – activities and initiatives

In this sub-chapter I highlight CSR initiatives provided by Reddy's India and Dr. Reddy's Ukraine. Corporate social responsibility always plays important role in Dr. Reddy's

Laboratories Ltd - for example, it spent 2.05% on Corporate Social Responsibility (CSR) as percentage of Profit after Tax (PAT) in FY2018-19 [52]

The company globally focuses primarily in the areas of education, livelihood and health.

CSR activities of Dr. Reddy's Laboratories Ltd. (India)

Strengthening education, livelihood formation, Dr. Reddy's foundation acts as a catalyst of change that develops, fosters, and promotes initiatives at individual group and managerial levels to accomplish sustainable development. Sustainable development cannot occur until people are empowered to support themselves and hence the foundation focuses on livelihood creation and education through it's a variety of livelihood advancement business schools and through it's a lot of innovative activities in the School Education campus.

- Labs partnerships initiated

Michael & Susan Dell Foundation in association with this Foundation, DRF has taken on to supply sustainable livelihood exercise to 6000 youth from slum pockets that are individual replace to resettlement areas on the outer edge of the Delhi's National Capital Region. MP Rural Livelihood's scheme under this project, DRF has recognized LABS centers in the Annupur, Sheopur, Dhar and Shadole districts of Madhya Pradesh.

- New Livelihood Options offered

Construction to tie together the incredible livelihood options thrown up by the Indian fast-growing infrastructure sector, DRF and national academy of construction have combined to jointly conduct training programs in construction operation such as electrical (home wiring), masonry, general works supervisor, sanitation and plumbing. This meticulous program was beginning in phases in different LABS centers crosswise India. In partnership with the government of India, various state governments, other NGOs and the private sector, DRF has set up labs across India. A total of 42,064 livelihoods were generated in 2011-12 in the various states of India.

- Promoting Micro Entrepreneurs

Through the companies LABS program have been developed innovative models for self-employment throughout micro entrepreneurship programs, which nurture adults and youth for entrepreneurship through development of skills, market linkages and development of business plan. Below the Aarogya program, over 75 mobile food vendors in Karimnagar, Andra Pradesh have been helped in developing their corporate businesses. The program was been scaled up to include 200 beneficiary in a only some Hyderabad municipalities. DRF has been locate eight Yuva youth education centers in Hyderabad and RR Districts, which run two bridge plans for disadvantaged youth, to allow them to obtain side entry into the conventional education system. Underneath the Sayodya program, 25 partly disabled youth in RR District (AP) have been assisted in earning their livelihoods during corn trade in specially planned kiosks. The activities have been extended to include 1000 beneficiary, in relationship with DRDA, Andra Pradesh. In the year 2007, 50 youth were skilled under phase II program. Some of them have created an SHG and set up a refreshment shops in an office complex in Hyderabad.

- Spreading smiles through Education

Using schools as community learning resource centres, DRF strives to reduce school drop-out rates by developing local knowledge, skills and leadership. Adopting 72 government schools in Balanagar Mandal (RR District) and Hyderabad-Secunderabad, DRF has launched several innovative initiatives in curriculum development, teacher training and community involvement.

- Yuva Youth Learning Centers

DRF has set up 8 yuva youth education centers in Hyderabad and RR Districts, which run two bridge programs for deprived youth, to permit them to find side entry into the conventional education system. Adolescent Bridge Courses (ABCs) trainer 250-500 school dropouts students every year to appear for the Class 10 Board examinations of the

Government of Andra Pradesh. 287 students appeared for the Class 10 exams that were held in March and April 2008.

Under the included Learning program (ILP), never been- to-school adolescents, adolescent girls and child labor working as home help are put throughout a foundation Course in basic Telugu, English, Math, environmental sciences and health education. They are also ready for Classes 7th to 9th under the AP open school society. In this year, 213 pupils are appearing for the open school examination. The centers tender career guidance, soft skills, spoken English and computer education, thereby allowing the youth to make choices about their bright future. This also minimizes chances of the girls being obliged into premature marriage. Above 250, such girls have been withdrawn from home labour and admit to these Centers.

- ALTIUS, the Advancement school

DRF has set upped ALTIUS, an advancement school that serves as a phase for post graduates, graduates and diploma holders to way in a variety of opportunities of career development by as long as them with necessary employment skills. It kindhearted training in call center operations, accountancy packages and medical transcription, in adding to communicative language skills, spoken English and computer fundamental training. Below the government maintained SSA and DRF also carry out a housing bridge course for drop out from school and those engaged in child labor, DRFHE'S 1 year post-graduate course in health care management has placed 212 pupils in hospitals, pharma companies and clinics.

- Residential Bridge Courses

Under the central government-supported Sarva Siksha Abhiyan(SSA), DRF also conducted a residential bridge course for out of- school pupils and those occupied in child labour. 67 girls and 101 boys have been mainstreamed into regular education and housed in social welfare hostels. To make sure their sustained education, DRF has started a hostel support

programs, which consists of a dedicated hostel tutors and volunteer to coach them to improve their educational standards.

- Schedule Tribal School Program (STSP)

In VR Puram Mandal, Khammam District, Andhra Pradesh, DRF was worked with 33 government schools in areas inhabited by Konda and Koya schedule tribes. After holding several discussions and workshops with teachers, elders and youth in the Mandal, DRF has published several books including stories, primers, riddles and poems in their languages, using the Telugu play. Meant for students who have passed the Class 10 Board Examination Kallam professional junior college offers 2 years professional courses. The students are positive to take up higher education after finishing the course.

- Pudami Primary Schools

In the year 2007 DRF started 14 Pudami English primaries in Hyderabad. Set up in neighborhoods containing huge populations of poor urban, these English medium primaries teach English, Environmental Science and Mathematics. The teachers are assisting by the ERC in curriculum plan and preparation. These Primaries were activated as feeders for Pudami Neighborhood schools.

- Education Resource Centre

DRF's education resource center looks after the pedagogical and academic requirements of neighborhood schools. It also undertakes research on a variety of aspects of schooling and education. In association with government, civil society organization and individuals working in the field of child rights and education, the ERC shares and generates resources between partners.

- Spreading the Neighbourhood School plan

In the year 2007, DRF organized a national conference on Neighborhood Schools at Hyderabad. Focus by representatives from academia, bureaucracy, NGOs and the private

industries, the conference discussed the idea of neighborhood schools that would assure access to quality education for children from various sections of society. It was necessary to encourage the plan of place up neighborhood schools on public private partnership (PPPs).

- Health Education, DRFHE

Dr. Reddy's center purpose and inclusive education is its means of between with society and corporate, DRFHE is a perfect fusion of the two as long as health care education to professionals who can help the medical organization to create more integrative healthcare services. It as well speaks to the gap in patient awareness, enable them with self-care skill and improving the cost effectiveness of syndrome management. While 2003, DRFHE's 1year post-graduate course in management of health care has situated 212 pupils in pharma companies, hospitals and clinics. Physiotherapy, dentistry, nutrition pharmacy, hospital administration and biosciences are a little of the subjects. The graduates employment as educators, counselors, physician's assistants and associates. Beyond the previous year, Sparsh has afforded excellence and convincingly priced anticancer medicines to above 500 patients, throughout the doctors. 200 patients suffer from non-hodgkin's lymphoma benefit from our new drug Reditux TM, which was launched previous year.

- Helping Doctors

At the point of doctors the domestic circle series help out doctors to build up extra-medical soft aptitude and companies competencies to be more flourishing in their competent careers.

- Enabling Patients life at your doorstep

Company's health education introduces two continuing education activities in the previous year. Continuation at your entry a soothing care plan is focused on as long as reprieve to continually and incurably ill patients throughout indication and ache administration and by counseling the family members.

- Art of Living Foundation and DRFHE

DRFHE, in conjunction with art of living foundation (AOL) launched a pilot way of life corporate program. This deal supports and helps affliction patients from chronic disease to adopt way of life modify to reduce risk issues and to self-manage their condition. Ten metabolic disease patient's advantage from the first 7-day program.

- Sparsh

Dr. Reddy's patient assistance program continues to improve the convenience of oncology drugs to diseased patients in requirement. More the previous phase, sparsh has provide good quality and discounted priced anti-cancer medicines toward 500 patients, throughout the doctors treatment. Almost 200 patients undergoing from non-hodgkin's lymphoma accomplished from our inventive drug Reditux TM [53]

Patient-centric initiatives

1st September 2016 Dr. Reddy's launched "Purple Health" in India – new patient centric platform aiming to deliver solutions that address unmet needs of patients. Purple Health will address unmet needs of patients involving four segments: awareness, access (access to medication), adherence (adherence to therapy) and experience (simplified medication experience). The first step in this program will be the launch of new patient friendly packaging for its top 25 best-selling brands, which will be rolled-out in a phased manner over the next six months. The packaging has been designed such that blister packs would have extra space for brand name which ensures easy identification at the pharmacy, a tab at the bottom with expiry date clearly mentioned, and a pictorial representation of the time the medicine needs to be taken. In case of bottles, the measuring cup is now easy to read, and neck of the bottle has been modified to ensure minimal spillage.

Purple Health also includes patient support services. For example, someone taking medicines for an advanced kidney condition would be supported by messages and counselling on diet, medicine and so on [54]

CSR activities of Dr. Reddy's Laboratories (Ukraine)

In Ukraine since the very beginning of aggression from Russian Federation Dr. Reddy's stated as reliable partner in supporting of army and patients with medicines.

Three waves of donations provided on 15.04.2022.:

1. Kiev City Military Hospital (anti-inflammatory, respiratory and pain-management drugs, antibiotics)
2. Ministry of Health (anti-inflammatory, respiratory and pain-management drugs)
3. Ministry of Health (adult hematology, breast and digestive cancer drugs)
4. Ministry of Health (child hematology, gynecology and digestive cancer drugs) (**in progress**, being aligned with Ministry of Health in scope of product quantities).

CRS for employees of Dr. Reddy's Ukraine:

1. From the beginning of conflict company issued scope of safety rules for all employees
2. Allowed to use company car and fuel to reach safe place
3. Company paid financial aid for every employee to support internal movement inside Ukraine
4. Company paid quarter sales bonus to all business staff regardless of reaching sales targets.

CONCLUSIONS

Need of creation units or departments inside the company is predicted by established organizational design, which is specific organizational structure followed by decisions and action taken by management. This decision can be taken by one manager or group, one-time on a developmental process, seen as explicit or hidden etc. Despite of said above, the context of these set of decision is always around four main dimensions:

1. Necessity to divide the entire task into smaller jobs. Manager should convert the overall task to the number of jobs or related activities. This leads to understanding of job terms and areas of responsibility - despite the job having many characteristics, the most important is its degree of specialization.
2. Manager must decide on which criteria individual jobs can be grouped. This predicts the level of heterogeneity inside the group performing the job
3. Size of the group reporting to one superior should also be determined. Span of control (number of subordinates reporting to one manager) is a factor affecting the shape and vertical of organizational structure
4. Need in distribution of authority performing a job Authority can be described as the right to take decisions without approval from upper manager - all jobs contain some level of authority but not all jobs allow exact obedience from others. Key difference is that managers can exact obedience while non managers cannot.

So the type of organizational structure depends on choices made by managers and typically tends to one from two models - mechanistic or organic (too much variations of those models can be found in practice).

Two important organizational design models are termed mechanistic and organic.

Mechanistic design is characterized by highly specialized jobs, homogeneous departments, narrow spans of control, and relatively centralized authority. Organic

designs, on the other hand, include relatively despecialized jobs, heterogeneous departments, wide spans of control, and decentralized authority.

- The term division of labor concerns the extent to which jobs are specialized. Dividing the overall task of the organization into smaller related tasks provides the technical and economic advantages found in specialization of labor.
- Delegating authority enables an individual to make decisions and extract obedience without approval by higher management. Like other organizational issues, delegated authority is a relative, not absolute, concept. All individuals in an organization have some authority. The question is whether they have enough to do their jobs.
- There are several forms, or bases, of departmentalization. Functional departmentalization groups jobs by the function performed (i.e., marketing, production, accounting). Geographic departmentalization groups jobs on the basis of geographical location. Product departmentalization groups jobs on the basis of the department's output. Customer departmentalization groups jobs on the basis of the users of the good or service provided.
- An organizational design that attempts to maximize the benefits and minimize the weakness of both the functional and product forms is known as a matrix design.

We see that in Dr. Reddy's implemented some sort of functional model regarding to organizational structure. Departments with specific functions are presented (medical, finance, logistics, administrative), but key business drivers are units which have own marketing and sales employees.

This provides more sensitivity in operating in different therapeutics areas - that is crucial for both marketing and sales who have background in separate therapeutic areas. This background includes proximity to key prescribers, opinion leaders, understanding of budget processes in scope of tender sales and many other specific reasons.

Inside every business department also some diversification allowed around product groups or separate products (for example, in RX department some directions like «pain

management», «gastroenterology» etc). Focus on departmentalization in such case provides more expertise for the company, deep background in collaboration with key stakeholders and opportunity to expand product portfolio inside every direction.

KPIs presented to estimate performance are very clear and precisely measurable.

Number of reports, dashboards, tables are usually used to track performance and therefore efficacy (sales, spends, production and forecasts) which was created internally and part of them provides data from 3rd parties (total market assessment for calculation of market share, tender tracking process from open sources, evolution index of competitors etc).

Also achievement of such KPIs serve as key factor in incentive calculations – here they should be twice clear, understandable and accepted by employee to avoid possible misunderstandings and unmet expectations.

Key part of this work dedicated to opportunities and alternatives for business growth. By using business development approach, I projected some models for growing sales as a key indicator of efficiency in pharma company. From one hand this can be seen clear like a question «Where we can grow or earn money», but from the other hand current vision should also include feeling of future changes and trends. In scope of business development, we considered all opportunities inside rules of pharma market regulations and marked those who can be unlock for action. Further moving this way will show how clear these plans were and also show new or currently hidden opportunities. In my understanding this process should be established on regular basis (quarterly, yearly) to be in in line with rapidly changing environment, market, competitors etc.

Selecting from all available alternatives we should follow process of so-called rational decision making, which includes 7 steps:

- Establish goals and measure results (clear and sensitive, relevant KPIs)
- Identify and analyze the problem
- Develop alternative solutions

- Evaluate alternatives
- Select the best solution (I would add here, and assess possibility to implement more than one decision)
- Implement the decision
- Follow up and evaluate the decision

Actual results are compared with planned results (the objective), and if deviations exist, changes must be made. Here again, we see the importance of measurable objectives.

If such objectives do not exist, then there is no way to judge performance. If actual results do not match planned results, changes must be made in the solution chosen, in its implementation, or in the original objective if it is deemed unattainable.

If the original objective must be revised, then the entire decision-making process will be reactivated. The important point is that once a decision is implemented, a manager cannot assume that the outcome will meet the original objective. Some system of control and evaluation is necessary to make sure the actual results are consistent with the desired results.

Sometimes the result or outcome of a decision is unexpected or is perceived differently by different people, and dealing with this possibility is an important part of the follow-up phase in the decision process.

Management of efficacy in structural department – key task for responsible manager.
It requires all basic managerial skills, such as:

1. Planning

Plenty of questions should be answered on planning stage

- Which figures we want to achieve
- From which products?
- How much staff we need?
- Which expenses we will bring?
- What competitors think and how they act

In scope of this work organizational design plays key role in understanding of how should be job design look like, how to spread work between employee and how to manage them effectively relatively to span of control

2. Organizing

Here manager must organize processes of communication, workflows and collaboration between employees inside department, with other departments and clear define the areas of responsibility for everyone and deliver this scope to others

3. Motivation

We know that incentives should be closely related to performance and work to be accomplished, be clear and understandable for everyone, easily measurable. Despite of financial motivation, there are lot of things to do in non-material compensations (competition inside department or company, deep and awarded expertise level, internal promotion or other position created for employee who over-performed results etc)

4. Leadership

Leadership – extremely important feature of a manager and thins that differs him from usual supervisor (management is about today; leadership is always about tomorrow). Leadership is related to ability show the future, define the way to this future and clearly explain why we need to reach it. Leadership position admits to deliver strong mission and vision of the company or department, selecting best employees relatively to goals and bringing changes.

5. Control

Essential function for follow-up, tracking and monitoring. It includes control on established tasks, periodical measurements of results and performance according to previously set KPIs and making right interpretation of results to make conclusions.

Last for this, conclusions needed to make a decision – necessity of making decision always faced when manager meet problem (problem is defined as discrepancy between desired result and current conditions).

In this work I explored possible ways of performance management in light of increasing commercial efficacy and growing sales. Some of proposed alternatives can be implemented in a month, some required 5-years' time horizon. Taking into account current political and economic situation, it is hard to predict how sharp calculations will be match with reached results. But from managerial point of view it enriches the vision of variety of scenarios and in any case will extend background of commercial manager.

Anyway, proposed alternative should need precise follow-up and control, measurement of results and deriving correct interpretation and further conclusions with practical reason – what should be changed next time, which things can be improved, what we can do better or more, how can we change our approaches to performance and efficiency, their management and eventually be more competitive in achieving our strategic goals.

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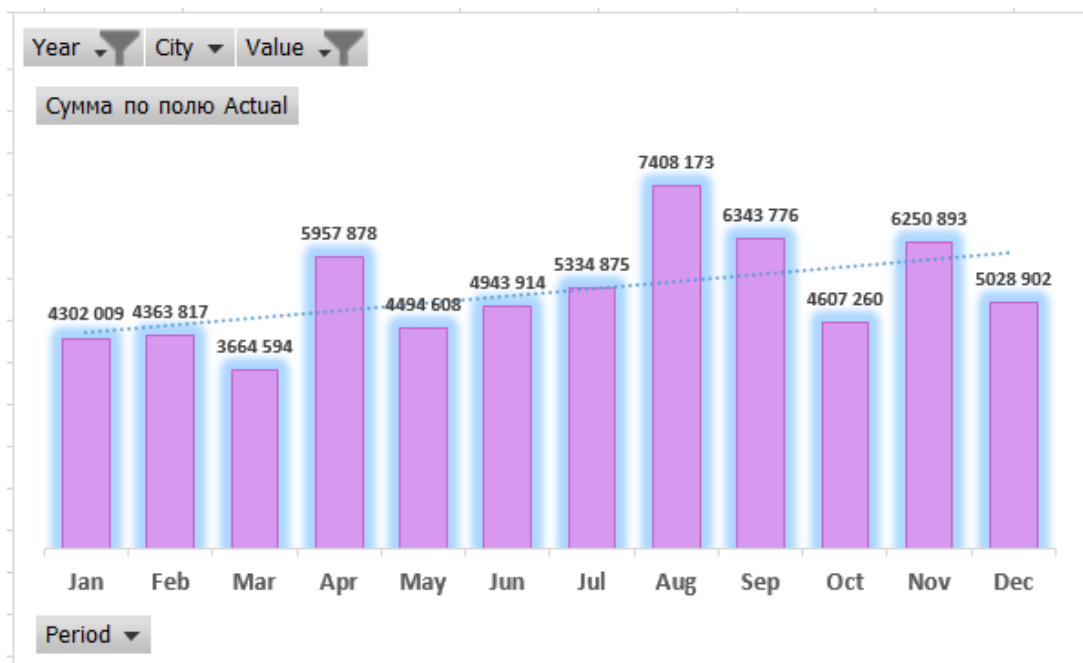
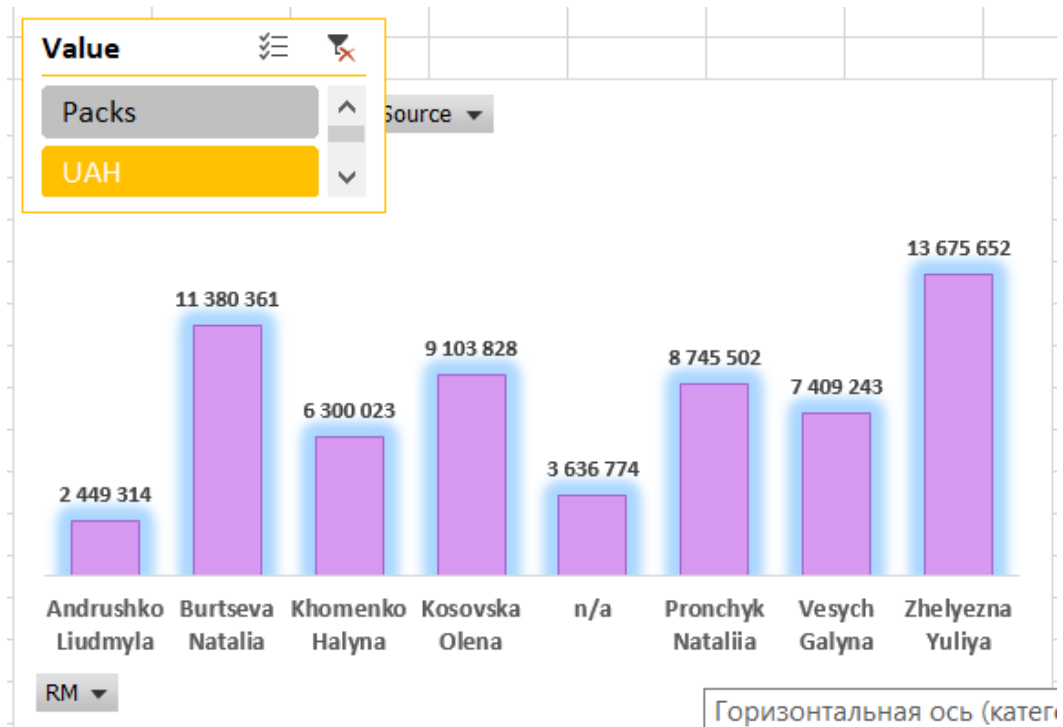
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APPLICATIONS

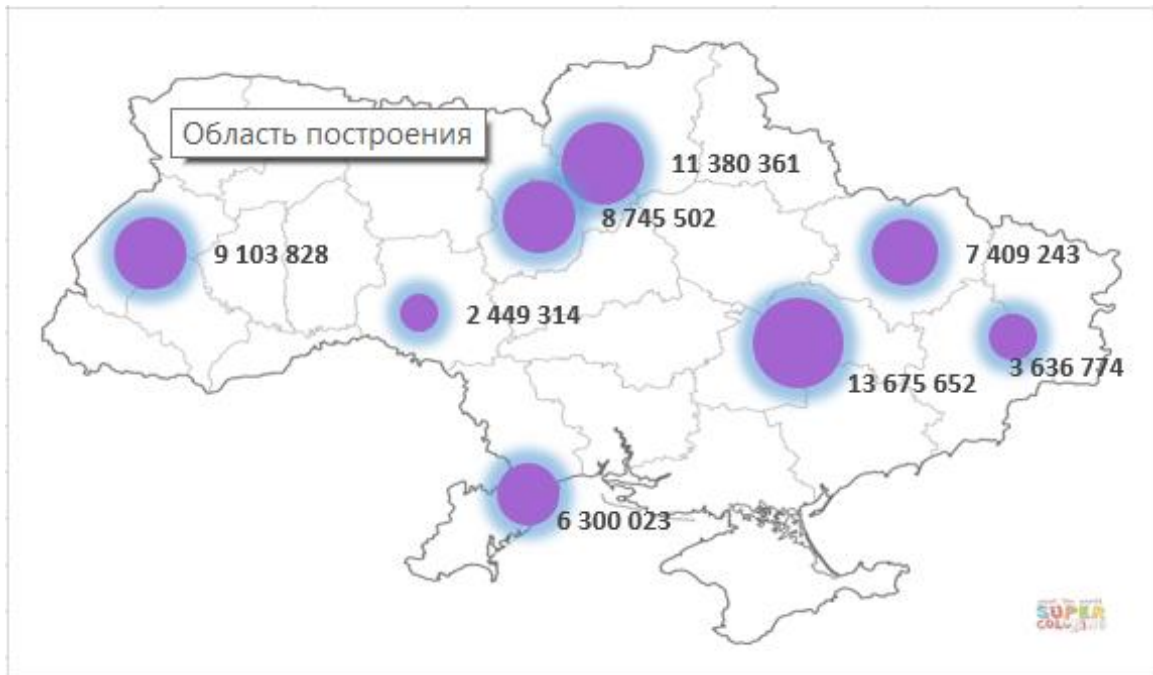
Application 1

Regional sales data dashboard



Application 1

Regional sales data dashboard



RM	Brand	Product Name
Andrushko Liud...	Dopolo	Apcibin tab 150 ...
Burtseva Natalia	Falvax	Apcibin tab 500 ...
Khomenko Hal...	Grastim	Blaztere 4 mg N1
Kosovska Olena	Lenangio	Cytogem inj. 100...
n/a	Osetron	Dopolo inf lipos...
Pronchyk Nataliia	Reditux	Dopolo inf lipos...
Vesych Galyna	Teronred	Falvax, injection,...
Zhelyezna Yuliya	Winduza	Grastim inj. 0.3 ...

Application 2

Business case template

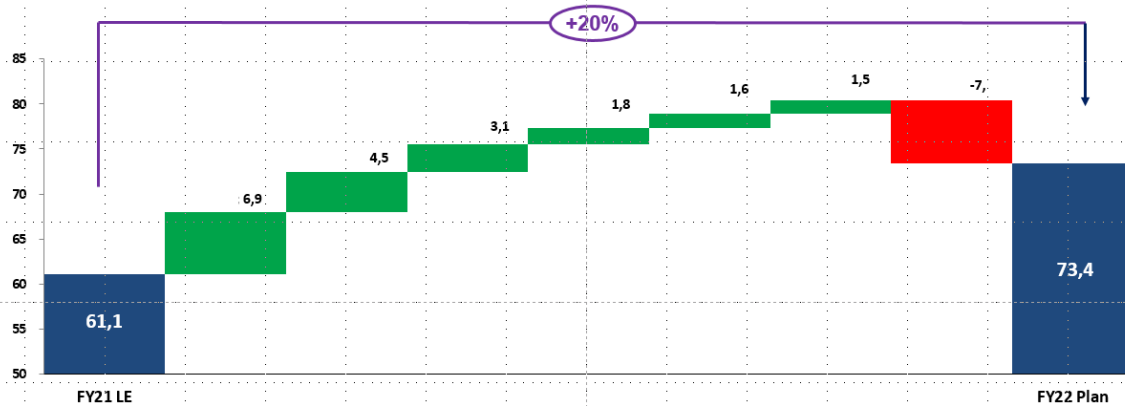
Details from Market	
Molecule	Drug X
Indication	Advanced RCC Advanced STS
Type of Launch(FFTL/LTL/)	FGTL
Expected Launch Year	2022
Patent Status	
<u>Innovator Details</u>	
Innovator brand present in Country	No
Innovator Company	GSK
Innovator Brand Name	VOTRIENT
Innovator Dosage Form	200mg, 400mg
Innovator Pack Details	Nº30
<u>DRL Product details</u>	
Formulation type (OSD/Inj/Syrup)	Tablets
Strength (mg/ml)	400mg
	Numbers
MoH demand of sunitinib/Drug X, 12-week courses	5 681
Total packs of Sunitinib purchased	42 216
Total packs of Drug X purchased	2 262
Consumption of Sunitinib, packs/month	3 586
Speed of consumption, % on mid Jan 22	59,5%

TENDER MARKET	2020	2021	2022	2023	2024	2025	2026	2027
Market Growth (RCC)*		2%	2%	2%	2%	2%	2%	2%
Sunitinib market units (vol)		42 216						
Drug X market units (vol)		2 262	32 291	32 775	33 267	33 766	34 272	34 786
Sunitinib Price (\$)		149						
Drug X Price (\$)		153						
Market Size (\$) - Projected		6 636 270	3 874 896	3 605 268	3 160 345	2 532 435	2 227 698	1 739 318
Yr of Gx Entry								
Innovator Share (Assumption)		100%	0%	0%	0%	0%	0%	0%
BGx Share(Assumption)		0%	100%	100%	100%	100%	100%	100%
DRL Share (2nd Gx)- MS Assumption Drug X		0%	100%	100%	100%	100%	100%	100%
DRL volume			16 145	16 388	16 633	16 883	17 136	17 393
Price (\$)			120	110	95	75	65	50
DRL Value (\$) - Drug X (50% tender share)			\$1 937 448	\$1 802 634	\$1 580 173	\$1 266 217	\$1 113 849	\$869 659
Total Patients on DRL Drug X		1 307	664	673	684	694	704	715

Application 3

Budget review presentation FY`22, slide 3

FY'23 Budget : Oncology Components of growth (Gross Primary Sales)



Brand	FY'21 LE	FY'22	Delta	Growth %	Mkt gr (total)*	Mkt gr (retail)*
Osetron	20,9	27,8	6,9	33%	+23,9%	+8,1%
Reditux	16,7	21,2	4,5	27%	-87,9%	+4,4%
Dopolo	5,5	8,6	3,1	55%	-19,3%	-60,5%
Teronred	5,0	6,8	1,8	35%	+69,2%	+447%
Winduza	2,0	3,6	1,6	81%	-88,2%	+27,1%
Grastim	3,3	4,8	1,5	45%	-44,0%	+5,5%

SS Growth : + 11%