Employee Engagement for Organisational Effectiveness

- A study of Eisai Pharma in India

Chapter-1: Introduction

1.1 Research background

1.1.1 Evolution of pharmaceutical industry

The Indian pharma industry has shown a high growth rate over the last 40 years. From US$ 1.6 billion in 1947, the industry is estimated to be worth of US$20 billion by 2015 thus moving into top ten pharma markets of the world. Indian Pharmaceutical industry is expected to grow around 14% in 2013 & India is now among the top five emerging pharmaceutical markets.

The evolution of the Indian drug industry is divided into four stages.

⇒ The early stage of pharmaceutical evolution
⇒ The amendment of patent law and the implementation of new drug policy (the second epoch of development)
⇒ The phase of liberalization, de-control and product patent (the third epoch of development)
⇒ Extent of diversification in the pharmaceutical industry

The Indian pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The Pharmaceutical and Chemical industry in India is an extremely fragmented market with severe price competition and government price control. The Pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals, and injectable. There are approximately 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units).
On back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets, the domestic pharmaceutical market is expected to register a strong double-digit growth of 13-14 per cent in 2013.

Moreover, the increasing population of the higher-income group in the country will open a potential US$ 8 billion market for multinational companies selling costly drugs by 2015. Besides, the domestic pharma market is estimated to touch US$ 20 billion by 2015, making India a lucrative destination for clinical trials for global giants.

Further estimates indicate that the healthcare market in India is likely to reach US$ 31.59 billion by 2020.

**Growth of Import-Export**

Imports- As per the Directorate General of Commercial Intelligence and Statistics (D.G.C.I.S.) Kolkata, value of imports of “Medicinal and Pharmaceuticals Products” for the period 2002-03 to 2010-11 is as under:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Import of “Medicinal and Pharmaceuticals Products” (Rs. in Crores)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>2,885</td>
<td>-</td>
</tr>
<tr>
<td>2003-04</td>
<td>2,956</td>
<td>3.18</td>
</tr>
<tr>
<td>2004-05</td>
<td>3,139</td>
<td>6.19</td>
</tr>
<tr>
<td>2005-06</td>
<td>4,515</td>
<td>43.84</td>
</tr>
<tr>
<td>2006-07</td>
<td>5,886</td>
<td>20.02</td>
</tr>
<tr>
<td>2007-08</td>
<td>6,734</td>
<td>14.79</td>
</tr>
<tr>
<td>2008-09</td>
<td>8,649</td>
<td>28.43</td>
</tr>
<tr>
<td>2009-10</td>
<td>9,060</td>
<td>15.15</td>
</tr>
<tr>
<td>2010-11</td>
<td>10,937</td>
<td>9.62</td>
</tr>
</tbody>
</table>

Exports - As Per DGCIS, Kolkata Exports of "Drugs and Pharmaceuticals and Fine Chemicals"
For the period 2007-08 to 2010-11 are below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports of “Drugs and Pharmaceuticals and Fine Chemicals”</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>12,826</td>
<td>-</td>
</tr>
<tr>
<td>2003-04</td>
<td>15,213</td>
<td>18.61</td>
</tr>
<tr>
<td>2004-05</td>
<td>17,228</td>
<td>13.25</td>
</tr>
<tr>
<td>2005-06</td>
<td>21,230</td>
<td>23.23</td>
</tr>
<tr>
<td>2006-07</td>
<td>25,666</td>
<td>20.89</td>
</tr>
<tr>
<td>2007-08</td>
<td>29,354</td>
<td>14.37</td>
</tr>
<tr>
<td>2008-09</td>
<td>39,821</td>
<td>35.68</td>
</tr>
<tr>
<td>2009-10</td>
<td>42,456</td>
<td>6.62</td>
</tr>
<tr>
<td>2010-11</td>
<td>47,551</td>
<td>12.00</td>
</tr>
</tbody>
</table>

Source: www.pharmaceuticals.gov.in

**Figure 1:** Indian pharmacy imports & exports

Based on the various beneficial places, the Pharmaceutical marketplace is widely divided into two categories – Acute segment and chronic segment.

1. **Acute Segment** – It has diseases that frequently last for a little period and includes therapies similar to anti-infective, painkillers or analgesics etc.
2. **Chronic segment** – It carries diseases like chronic in character and comprise of routine diseases. This includes therapies like anti-diabetics, cardiovascular (CVS), cancer etc.
The Pharmaceutical products or services can be generally separated into three categories:

- **Active Pharmaceutical Ingredients (APIs)** – These ingredients are in charge for the remedial activity. For e.g. Paracetamol is an API which is present in drugs like Crocin, Anacin etc. and it is liable for relieving pain. APIs are also called as bulk drugs and they are the raw substance for the final drug that most of the people consume. Well known API manufacturers are Orchid Chemicals, Elder Pharma etc.

- **Formulations** – While APIs are liable for the medicinal result of a drug. API cannot be consumed directly because due to various reasons like firmness, taste, odour etc. Therefore, APIs are mixed with some medicines that are called as excipients, which is used to form the final medicines and formulations, which are appropriate for human utilization. Companies like Sun Pharma, Cipla, Dr Reddy’s etc. are examples of companies manufacturing formulations.

- **Contract Research and Manufacturing Services (CRAMS)** – Just like Information Technology industry, chief Pharmacy organizations outsource their industrialized work to low-cost firms like India to decrease the price though focusing on new drug discovery and marketing on their own. In additional, they as well subcontract a part of...
their investigation actions to a few of the Indian pharmacy firms. More than that in recent years CRAMS has become a main hub locale for numerous Indian Pharmacy companies. Examples are companies like Divi’s Labs, Jubilant Life Sciences etc.

Firms that are mentioned above will highly spend on research and development since they are sound in economic condition. These types of companies will launch their own drugs and innovate many as they can. Companies like Pfizer, Merck, Novartis, and Roche etc. are various biggest innovator companies worldwide. Indian companies have established their part in the generics segment.

![Figure 3: Review of pharmacy sector](source: Chaudhuri (1999))

The pharmaceutical industry in addition pays out a bulky share of its returns on marketing and advertising of the detailing activities. At the same time as compared to the developed and chemical industry, that expends nearly 4% of its income (in the year 2000–2005) on marketing, and the pharmaceutical industry spends 7% of its revenue on marketing the innovations and products. In current years, at hand has been an erupt in the activities because of an augmented focal point of firms on sales for formulations, that needs speculation in setting up the sales infrastructure. In Addition, the national market is over soaked with a huge number of recognized goods, with related therapeutic benefits. Accordingly, organizations spend a great deal on marketing actions to uphold brand faithfulness for its goods and stay as of its market share Ahnet al (1988).
According to Sanjiv Kumar (2006) the flourish of globalization and the liberalization strategy of the government encompass the new treatments for the business and outsized numbers of business firm are too opposing at the international level. Confirmation of amplified internationalization is taken very strongly amongst Indian pharmaceutical companies. The figure plots the average export and import intensity of the Indian pharmaceutical sector. Pharmaceutical exports are intended for around 175 countries that includes extremely regulated market places like United States, the European Union and Australia, the semi regulated markets of Singapore, Taiwan, Brazil etc. to markets of lower regulations such as Sri Lanka and African countries. The mass volume of India’s export of pharmaceutical products is nevertheless, intended towards the United States and additional European nations. This shows the absolute power of Indian Pharmaceutical firms in producing high eminence common products. Further, for the reason of rigorous authoritarian barriers in the global regulated market, the number of companies in the synchronized market is a reduced amount and therefore there is superior price recognition. Nevertheless, exporting in the synchronized market is not simple since it involves elevated cost in maintaining first-class manufacturing practices and excellence values at equivalence with worldwide norms. Very few pharmaceutical companies have sufficient capital to undertake such movement. Therefore, the top domestic players like Ranbaxy, Dr Reddy’s Laboratory, Cadila, Cipla, Lupin Laboratory and few medium sized companies like Ipca Laboratories, Neuland Laboratory, Alembic Limited and a few others have targeted the global regulated market.

Figure 4: Export and import intensity of Indian pharmaceutical sector
Aaron Smith (2007) describes that the Indian pharmaceutical companies at present provide almost all the country’s requirement for formulations in addition to almost 70 percent of its order for bulk drugs. Indian organizations create nearly 60,000 common brands in 60 therapeutic divisions and 350 and 400 bulk drugs flank it. Just about 80 percent of national manufacture consists of formulations, and greater than 85 percent of the mentioned formulations are sold out in the local market, while at slightest 60 percent of huge drug creation is exported. Almost 97 percent of India’s drug market includes the second and third age group drugs that are not subjected to copyright defence in the urbanized world. Some are still under-patent but the lifesaving drugs carry on to be imported, primarily from the developed countries, particularly the United States, Germany, the United Kingdom, and France. India has the world’s third-largest Active Pharmaceutical Ingredient manufacturing industry estimated at virtually US$2 billion in 2005. At present, India’s drug manufacturing produces more than 400 different Active Pharmaceutical Ingredients and it is amid of the world’s top five Active Pharmaceutical Ingredient producers accounting for just about 6.5 percent of the world’s Active Pharmaceutical Ingredient production. Italy’s Chemical Pharmaceutical Generic Association (CPA) points out that India’s contribution of the world Active Pharmaceutical Ingredient market will produce about 10.5 percent by 2010 as original runaway success drugs lose their patent guard. The CPA also expects the local Indian market for Active Pharmaceutical Ingredients, both normal and identified, which will increase from US$755 million in 2005 to US$1.9 billion in 2010. According to Assocham, the most important APIs were anti-infective, and gastrointestinal, cardiovascular, and respiratory drugs. In particular, with quantity of sales, the gastrointestinal and cardiac segments hit the highest growth rates and accounts for the principal number of new drug launches.

Ranbaxy Laboratories is India’s largest pharmaceutical company in the sales volume and one of the world’s top ten nonspecific drug makers. In 2005, exports reached nearly 80 percent of Ranbaxy’s sales and the United States being Ranbaxy’s major marketplace. However, recent serious concerns raised by USFDA (in 2013-14) against the company have shaken confidence of all stake holders. This has brought the quality standards of the Indian Pharma companies to face great challenge and threat. Ranbaxy was bought by Japan’s Daichi-Sankyo in 2008 from its promoters and the latest news is the Indian drug maker Sun Pharma has struck a deal to buy Ranbaxy to emerge as fifth largest combined generic drug-
maker in the world and largest in India. Ranbaxy was registered for 23 percent of India’s pharmaceutical business incomes. Ranbaxy had been an upright incorporated company with occurrence crossways of the pharmaceutical value chain, contributing a series of unbranded and notorious generics, energetic pharmaceutical ingredients, and biotechnology products. Ranbaxy markets its goods in more than 100 countries, the sales occurrence in the world’s peak 25 pharmaceutical markets, and has industrialized amenities in eight countries. Cipla, India’s second-largest pharmaceutical company is best known for its anti-AIDs drugs, and Dr Reddy’s Laboratories, India’s third-largest pharmaceutical company fall heavily on exports. Indian pharmaceutical companies have ended up with wonderful strides in the U.S. market. Indian companies are malfunctioning their cost advantage, the strength in overturn engineering, and the Foreign Direct Investment approved plants outside the United States. Indian companies are capable of producing pharmaceuticals for fewer than partially the cost made in the United States and it carries out clinical trials for approximately one-tenth the U.S. cost, and also it conducts R&D for fewer than one-eighth of the U.S. cost (fiscal year 2006).

India’s relative advantages recline in its price tag competitiveness, in its reverse engineering knowledge, in its huge pool of a smaller amount luxurious English-speaking scientific and engineering worker and finally it is a well-developed chemical manufacturing infrastructure. India’s pharmaceutical companies might in addition function at very inferior profit limits that are equal to their Western counterparts. Today, India produces a number of the low priced drugs in the world, in particular of the labour costs are 50 to 55 percent lower than in other countries. Therefore, India can construct mass drugs that cost 60 percent with a reduction in the West and can release a production plant in India that would be 40 percent cheaper than in developed countries (JeethaD’Silva 2006).

1.1.2 Employee engagement in pharmaceutical industry

Globalization has made a steady change in the pharmacy sector and in the tremendous development of the sector. This in turn resulted in high competitive marketplace. Globalization refers to the technology, political and financial change. Skills of employees are to be satisfied with the technology change and it has to be competent with the changing conditions. The changes should not scare the employees in any way. These changes have to motivate them in return. Globalization has resulted in employees themselves changing. These
changes entail having different needs and factors that motivate them (Gilley & McMillan 2009).

According to Charlesworth, Lawton, Lewis, Martin & Taylor (2003) the great challenge is that making employees to raise their voice in front of others to feel them confident and secure. This will help in maintaining a cordial relationship between the employees and superiors. Time constraints place a strain on effective and open communication between top management and lower management. Employees have to interact with various departments and this will make a new strategy in resolving issues. It is a great challenge to engage employees and obtain commitment in order to come up with better ways to do things. The changes in the pharmacy industry has made a deliberate situation for the employees, which has insisted them to get awareness of their field. The challenges in the context are that the employees are suffering from time constraint especially in the pharmaceutical industry since it is a lifesaver. At core, this sector has to be well equipped with talent that is capable of dealing with diverse business situations. Employees need to feel a sense of belongingness in an organization to feel valued and have high levels of internal motivation.

Leaders are obviously responsible for ensuring that employees have a high level of intrinsic motivation so that they can contribute to the higher levels of productivity and thus achieving the goals and objectives of the organization.

Owing to high pressure of deliveries, the managers have to be cool and relaxed in handling the issues of employees. The recognition and rewards have to be linked with performance and commitment of the employees. One has to make sure that the ideas and the innovation strategies must not induce others in a negative manner. One could put forward the idea that the fields of strategy and decision-making could be explored and encouraged. The changes will surely influence employee morale, commitment and engagement. Therefore, the managers must play a leading role in maintaining and nurturing healthy and positive industrial relationship with the employees to keep the organization ahead of the competition. The managers must win trust of the employees who in turn ought to be loyal to the organisation. Investigation of these relationships between both parties could show the implications and it could possibly have bearing on motivation among employees. The tangible and intangible resources also play a major role in engaging employees in the development of the organization. Motivation is the main factor to make the employees feel that the organization is promoting their work culture. For instance, some are motivated by pay and benefits, others by promotion and recognition and some like to be challenged. These factors have great potential to influence employee engagement in the organization (Casey & Goldman 2010).
1.2 Overview of the target company

![Eisai logo](image)

**Figure 1:** company logo

**Source:** www.easai.co.in

The parent company – Eisai Company Ltd - was established in Japan in the year 1941. Making first entry in the country, EISAI Pharmaceuticals India Pvt. Ltd. (EIL) was established in 2004 in Mumbai as its marketing subsidiary for the sale and promotion of pharmaceuticals developed by EISAI including Aricept, an Alzheimer's disease treatment, and Aciphex/Pariet, a proton pump inhibitor, and other pharmaceuticals.

Major operations conducted by EISAI Pharmaceuticals India Pvt. Ltd. include application for pharmaceuticals registration, clinical research, and promotion/sale of pharmaceuticals and importation of drug materials with a mission to provide continuous and stable supply of quality products and appropriate product information to meet the health care needs of patients and their families in India.

In 2007 EISAIPhamatechnology and Manufacturing Pvt. Ltd. (EPM) was set up in Visakhapatnam as a manufacturing and research subsidiary. With the aim of starting manufacturing and research activities in 2010, the company started its construction work in 2008 on a 50-acre plot in Jawaharlal Nehru Pharma City SEZ (Special Economic Zone) located at Visakhapatnam, Andhra Pradesh in south India.

Major operations ofEISAIPhamatechnology and Manufacturing Pvt. Ltd. include process research and manufacturing of APIs and dosage forms. EISAIPhamatechnology and Manufacturing Pvt. Ltd. represents one of the EISAI’s integrated Manufacturing and
Research complexes fulfilling the Company’s long held ambition to bring teams from across its businesses together on one site for the first time i.e. manufacturing of Drug Substances (Active Pharmaceutical Ingredients-APIs), Drug Products (Oral solid dosage forms-Tablets) and Developmental Research of Active Pharmaceutical Ingredients (APIs). Also referred to as EISAI Knowledge Centre, India, EISAI Pharmatechnology and Manufacturing Pvt. Ltd. aims to stimulate knowledge creation between teams – from those who create products through research, to those who produce - by bringing them together on one site with all the necessary support functions.

This establishment is a part of EISAI’s transformation strategy to transfer some of the Company’s primary operation functions to areas with high technology standards aiming to reinforce its global flexibility. The facility for Active Pharmaceutical Ingredients and Formulation manufacturing and research synergizes with EISAI’s endeavor to become a world class human health care (hhc) company. It is also expected to support EISAI’s global logistic infrastructure with other global facilities. EISAI has invested over US$ 50 million in Visakhapatnam. This facility will provide stable supply of quality products as well as the discovery/ development for new products, thereby promoting Demand Innovation activities which will contribute to improving quality of life. EPM has received product approvals from regulatory agencies viz USFDA, PMDA and MHRA. Its R&D wing has received recognition from Department of Scientific and Industrial Research (DSIR), Government of India. It has also received certification of ISO 14001:2004 for Environment management system (EMS) from TUV SUD. With the operation of this facility, EISAI is further promoting its hhc (human health care) philosophy and will continue to contribute to increase the benefits of patients and their families around the globe by ensuring stable supply of quality pharmaceutical products that meet the various needs of different countries and markets around the world. EISAI is an equal opportunity employer that strives to provide a fair working environment to ensure that its employees are free from any discrimination, harassment and other similar unfair practices. EISAI encourages each employee to contribute actively to this fair work environment.

The corporate mission of EISAI is “We give first thought to patients and their families and to increase the benefits that health care provides”.
The corporate objective of EISAI is “A human health care company capable of making a meaningful contribution under any health care system while observing the highest legal and ethical standards in business activities”.

1.3 Problem identified

Cook (2008) describes that employee engagement is the personified passion of every employee in the organization by giving their commitment and their best effort to their organization to serve the customers. It is simply all about the willingness of every employee to give their sustained discretionary to their organizational support and it is characterized by employees by committing themselves to the organization's success. Employees who are engaged in this process will feel inspired by their work and they always think about the future of the company. It is therefore the responsibility of the management of any organization to keep its employees engaged so that they contribute to the fullest towards their organization. However, many organizations fail to focus on engaging their employees and get the best out of them. This research intends to investigate in detail the human resource initiatives of EISAI Pharmatechnology & Manufacturing Private Limited in India in engaging its employees, its impact on the overall effectiveness of the organization and finally propose a model that could be applied to enhance employee engagement not only at the target organization but all the organizations across the globe.

1.4 Research Aims and Objectives

The aim of the study is detailed below:

1. To review the HR practices with special focus on employee engagement
2. To examine the HR initiatives and their impact on the organizational effectiveness.
3. To analyse the impact of HR initiatives, practices with the emphasis on Engagement for Organizational Effectiveness.
4. To offer suggestions with the observations of the study.

1.5 Research questions

1. What are the initiatives taken by the HR department focusing on employee engagement?
2. How the HR initiatives affect the organizational effectiveness?
3. How the study is helpful in both HR initiatives and to development of employee engagement.
4. What has to be done to make employees engage in the HR activities and in the development of the organization?

1.6 Significance of the study

The research aims to find out the level of employee engagement in the development of the organization as well as the initiatives and actions taken by the human resource department. The study will suggest some measures that will be helpful in order to make the employers to initiate some activities for the development of the organization. The study will provide an examination of leaders’behaviours as a key for the employee engagement. The study will also focus on the various commitments like cognitive, affective and behavioural commitments that are very important for employee engagement. The dissertation will further help the management by giving some suggestions for the development of the employee leader relationship. If there is any problem that exits with the relationship between the people who are inside the organization, it will be very helpful for the management to make a discussion about using the solutions that are given in the research. This study will particularly supplement the endeavours of the pharmaceutical industry as well as the Human Resource field in the highly competitive, quality and customer conscious emerging business environment. This study will find the factors relevant for employee engagement through which human resources work more effectively. In addition, the factors might be used by organizations to execute ideas that will promote employee engagement and will assure the commitment of the employees in the development of organization. It will also help sharpening the existing HR tools in acquiring, developing and inspiring talent, so as to prove them as the best asset. This study will be a support to pull a big arrangement of interest by taking employee engagement as a whole concept in the pharmaceutical industry in particular and in all others in general.

With better health consciousness and emerging needs of drugs to meet unmet medical needs, pharma industry is on fast growth track now. Hence, drug authorities expect better systems and processes to ensure better quality of medicines. This study has thus special significance when there is urgent need for better quality, data integrity and safety standards in line with
the emerging requirements of the drug authorities across the globe in pharma sector. Similarly, Employees Engagement leading to customer satisfaction and having direct relevance with the bottom line of any organisation, this study will be relevant for other industries too.

Of late, the drug authorities especially USFDA have become very active and stringent in inspecting pharma companies in India. They plan their inspections at very short notices. Approval of the respective drug authorities is must if a company has to export its products. As we know discretionary behaviour and working for the organisation from the core of one’s heat are must for engaged employees. Thus, to keep the facilities in all time preparedness the discretionary behaviour coupled with hearty efforts of employees are must.

1.7 Research limitations

The limitations of the study are as follows

1. This research is limited only to Eisai Company Ltd, Japan’s two companies in India, i.e., EISAIPharmatechnology& Manufacturing Private Limited and Eisai Pharmaceuticals India Pvt Ltd.

2. The dissertation is limited only to the employee engagement notion, and thus it may not be possible to depict the other problems associated with the organization.

3. Time constraint will be another limitation since it will affect the employees from answering frankly and employees might be scared of responding honestly, even though the answers are kept confidential and the survey is on line.

1.8 Organization of thesis

This thesis is made up of the following six chapters

i. Chapter 1 is the introduction chapter that gives the basic research background and concepts related to the research.

ii. Chapter 2 is the review of literature that analyses several existing work related to the concept.

iii. Chapter 3 is the research methodology that explains in detail about research strategy, design, sampling plan, data collection, and analysis and interpretation techniques used in this study.

iv. Chapter 4 is the data analysis and interpretation part that analyses the collected data using several statistical tools in order to test the proposed research hypothesis.

v. Chapter 5 is the discussion about various findings based on the survey results and their analysis.
vi. Chapter 6 is the conclusion chapter that gives the summary of the findings of data analysis followed by the conclusion of the research and recommendations for further improvement.

In addition to that, this thesis has bibliography containing the sources that were used in collecting secondary data for the research and appendix that has tools like questionnaires that were used in the gathering primary data for the research.