CHAPTER 1

INTRODUCTION

A developing nation with paucity of talent should accord high priority to developing and retaining of talent. Job satisfaction is one of the most critical factors in employee’s intention to stay or quit and the relationship is negatively correlated. Though a certain level of employee turnover is imminent and considered healthy, higher levels may prove fatal. As firms invest substantially on recruiting, developing & socialising employees, it is all but natural that they hate to lose them. This is all the more important when it comes to critical role like sales & marketing. Sales person perform boundary spanning roles, of customer interfacing, and are the ambassadors of the organisation to customers. As they represent the organisation their stability is of utmost importance, for customers to avail the products and services of the organisation. Due to their interfacing roles, sales jobs often cause high role ambiguity, role conflict & role stress, all leading to job dissatisfaction and turnover. This is especially true in Indian pharmaceutical sector, one of the most competitive the world over. Qualified and successful sales professional finds many opportunities in and outside the industry and there are great efforts to retain talent. To succeed pharmaceutical companies must know factors that affect job satisfaction of their sales force and develop suitable strategies and programs to increase satisfaction & improve retention.

Job satisfaction and the resultant behaviour have been studied widely by researchers from varying fields. Sociologists, social psychologists, psychologists, management specialists and economist have studied job satisfaction. This has led to development of varying approaches to study the subject and resultant milieu. Economists have tried to study economic implication of job satisfaction and treated the subject as an exchange relation influenced by various factors. Sociologists have tried to understand how factors like co-worker support and other social support system has affected job satisfaction. Psychologists have purely looked at it from the perspective of behaviour. They have tried to look at the subject from the beliefs (cognition), affect and
behaviour angle of the subject (together forming the attitude). Management specialists have tried a mixture of all the above methods. This has been necessitated by the fact that they have studied the subject with the intention of intervention in real job situations to improve job satisfaction and improve resultant behaviour thereby enhancing organisational effectiveness.

1.1 Indian pharmaceutical Industry:

In the post liberalisation phase, the healthcare industry received special attention of all stakeholders due to the realisation that ‘health is wealth’ in a vibrant economy. The industry has never had it so good in independent India, after 5 long decades of neglect, key constituents like government, healthcare companies, insurance companies, the policy makers and the healthcare seekers have energised the industry in to new life. Along with IT & ITES, Indian health care industry has found nurturing from various quarters, which has resulted in phenomenal growth of the Industry in the past two decades. Various factors have contributed to this growth. The public expenditure on health care, though very low in comparison to developed countries, has been steadily, growing. This also has been helped by the good grow of country’s GDP, that has grown at more than 5% CAGR in the past two decades. Another important contribution to the growth has come from health insurance. By 2010, 26% of Indian population had some kind of insurance cover for healthcare, be it a state government scheme, central government scheme or private insurance (McKinsey, 2013) [147]. This has significantly increased the healthcare seeking behaviour and resultant expenditure on the same. Demographic factors like increasing per capita income & increased education levels also have contributed to the general increase in health care awareness and care seeking behaviour.

Stagnation of healthcare growth, in developed countries, has propelled international health service providers to increase their presence in fast growing economies like India contributing immensely to the growth of healthcare in the country. The prohibitive cost of health care in developed countries and a well-developed healthcare infrastructure, in India, has spawned new opportunity in the form of healthcare tourism. Patients from developed countries travel to India seeking economical but reliable treatment which would be out of their reach in their motherland.
India also attracts large number of healthcare seekers from developing and LDC nations who do not have advanced healthcare in their countries and cannot afford the same in developed nations of the west. Indian health care industry has also been blessed by the demographic dividend. The vast pool of medical and paramedical staff has contributed widely to the growth of healthcare in India. This also meant wide availability of healthcare and lower healthcare cost increasing penetration of healthcare in to hitherto unexplored land of village and small towns.

The technological advancement is another factor that has contributed to the growth of healthcare. The use of tele-medicine to propagate healthcare, both in the country and outside has been well documented. The efforts of organisations like Arvind eye hospitals, Apollo hospital etc to provide affordable rural healthcare are legend. Hospital chains like Columbia Asia have dedicated tele-medicine departments that cater to customers worldwide. The private hospital chains like Apollo, Wockhardt, Fortis etc have contributed immensely to the growth of healthcare in India and Abroad. Another major contributor to the healthcare growth has been that of the Indian pharmaceutical industry, whose role in examined in more detail.

Indian healthcare system has continued to expand rapidly in both private and public domain. The total health care expenditure stands at 4.0% of GDP in 2012, according to World Bank [122], with the public expenditure being 1.4% of the GDP and private expenditure contributing the remaining. According to India brand equity foundation (www.ibef.org) [123] the total health care market was 78.6 billion USD (estimate 2012). The contribution to sector was dominated by hospitals contributing 71% followed by pharmaceuticals at 13%. The other contributions come from medical equipment & supplies at 9% medical insurance at 4% and the remaining coming from diagnostics (Figure 1.1).
The availability of medicines, supported by a healthy and competitive pharmaceutical industry, is at the centre of an efficient healthcare delivery. Indian pharmaceutical industry has had it very good in the past two decades of liberalisation. Indian Pharmaceuticals contributes 10% in volume to the global pharmaceutical production and 1.4% in value (Kodgule, 2012) [173]. Indian dominates the generic scene, producing 20% of World’s total generic consumption. India accounts for maximum number of USFDA approved manufacturing plants outside the US and exports to 200 countries. Creation of industry clusters, adequate policy support, opening of foreign capital access etc. meant good for the Industry as a whole. The competition leads to economies of scale, and resultant lower cost, opening both domestic and International opportunities for Indian pharmaceutical industry. India also became one of the coveted & low cost destinations for contract manufacturing and research for global players, attracting an FDI of 11.58 billion USD in 2013. According to the annual report, 2011-12, ministry of chemicals & fertilizers [9], department of pharmaceuticals the total export of pharmaceutical products from India stood at 47551 crore rupees constituting 4.6% of all exports. The imports of pharmaceutical products stood at 10937 crore, constituting 0.6% of total imports. The industry had a total turnover of 104209 crore rupees for the year ending march 2011. The ministry’s projected figures for pharmaceutical industry for the year 2020 was 481000 crore rupees. The industry accounted for a direct employment of 353692 persons for the year end of March 2008 as per the ministry’s 2012-13 report.
The Domestic consumption of medicines in India has come a long way. The consumption has grown from just 10 crore rupees in 1947 to more than 75000 crore rupees for the financial year 2013 (IMS Health) [149]. Considering the structural change the growth, in terms of volume, is more impressive. The evolution of the industry is characterised by four distinct stages (Mazumdar, 2013) [197]. The pre independence stage from 1850-1945 dominated by imported medicines and foreign players. From 1945-1970 saw growth of production in India but the market was still controlled by the foreign players. 1980’s to 1990’s gave the birth of Indian company domination and the last phase of post 1990 completed the domination of markets by Indian companies. The phases of evolution were influenced by the patent laws which oscillated between no strict laws to process patent and product patent. The advent of 21st century and India’s signing of WTO changed things for the pharmaceutical industry. Strict product patents were to be adhered to as per the WTO guidelines. This prompted the Indian pharmaceutical companies to increase research expenditure, invent newer products and formulations and expand abroad to increase their business. This augured well, for the industry, with exports fast catching up with domestic sales for the industry and exports being the larger earner for most of the top 100 pharmaceutical companies in India. The newer opportunity also saw an explosion of companies, with more than 20000 registered pharmaceutical units in India today. However the top 250 firms dominate with 70 % of the business according to IBEF (India Brand Equity Foundation [123]. Extreme competition meant that product prices were kept low. However the flip side was unethical practices in pharmaceutical selling. According to a WHO report [309], India accounted for 35% of total spurious drugs worldwide. The domestic market also saw unethical practices due to collusion of medical practitioners and the pharmaceutical companies. This change in the market scenario had multiple impacts on pharmaceutical marketing in India and the same is examined here under.
1.2 Pharmaceutical Marketing in India:

Due to its scientific nature, pharmaceutical marketing & sales has always been controlled in India. Like the alcohol & tobacco industry advertising of products, directly to public, was always prohibited or controlled. The sale was controlled through specialised outlets that were issued special drug license for sale of medicine. The dispensing & sales also needed specialised manpower, which were qualified as pharmacists. The drugs were classified under various schedules that prescribed the rule for sale of these drugs. Some were classified as prescription drugs that could be prescribed only by a registered medical practitioner and could be sold only on such prescriptions. Another group of drugs were classified as OTC drugs, (Those drugs not classified under any schedule were OTC drugs) which could be bought over the counter (OTC) by the consumer. The industry was dominated by schedule drugs (more than 90%) and the same was prescribed by the nearly million strong allopathic practitioners of the country. This meant that the pharmaceutical marketing mostly focused on these prescribers.

As companies try to grow, the dependence on marketing, in increasing Sales, became visible. According an industry analysis, by Majumdar (2013) [197], the profitability & productivity of pharmaceutical companies that spend more on marketing is higher than that of the lower spenders. Table1.1 clearly shows Companies that spend more than 25% of their sales revenue on marketing has a higher productivity & profitability in comparison to compares that spend less than 25% on their marketing. This is a clear indication on why pharmaceutical companies spend more on marketing. This trend will continue unabated as companies focus on selling formulations that are more profitable than APIs, bulk drugs & generics. Another interesting fact is that India has more than 6500 products, though WHO [309] classifies only 360 as essential drugs, and 92000 formulations according to the compendium of medicines sold in the country. The roles of medical representatives (also referred to by various other names) become critical under these circumstances. The detailing services become the sole information source for doctors, about the newer drugs, formulations and advancements in the therapeutic area. The fact that there are no regular reviews for accreditation of medical practitioners, unlike developed countries, adds to the dependence on medical representative as a source of information directly or indirectly. The regular detailing, literature distribution and CME meetings held by the
pharmaceutical companies and implemented through medical representatives becomes important for the doctors and pharmaceutical companies under these circumstances.

Table 1: Profitability & Productivity of Pharmaceutical companies based on marketing expense

<table>
<thead>
<tr>
<th>Year</th>
<th>Marketing high ≥ 25%</th>
<th>Marketing low &lt;25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991–1995</td>
<td>0.553</td>
<td>2.547</td>
</tr>
<tr>
<td>1996–2000</td>
<td>0.468</td>
<td>2.516</td>
</tr>
<tr>
<td>2001–2005</td>
<td>0.538</td>
<td>3.587</td>
</tr>
</tbody>
</table>

Source: M. Mazumdar, Performance of Pharmaceutical Companies in India, Contributions to Economics, Springer-Verlag Berlin Heidelberg 2013

According to FMRAI (federation of medical & sales representative association of India) [203] there are 150000 medical reps currently in India. McKinsey & co projects this figure to grow to 300000 by 2020. The current average marketing expense of Indian pharmaceutical companies is around 22% of sales volumes. 67% of the marketing expenses (around 15% of total sales volume) are spent on medical representative. According to IMS 8-10% [149] of the total volume of sale is the sales force cost which includes salary and allowances paid to them. This would amount to around 6000-7500 crore per annum by the end of 2013. Pharmaceutical companies have tried various strategies to reduce their dependence of medical representatives. Cipla started the trend of direct mailers to doctors. This was later followed by many other initiatives like using of technology to reduce human dependence. However none had found much impact and return to the medical representative was inevitable. The only change that could be brought in was improvement the detail delivery. Interactive e-detailing, online reporting, real time request processing from doctors, online delivery of literary services etc. have improved the pharmaceutical marketing effectiveness. However this is often offset by the severe competition among pharmaceutical companies to get the doctor’s share of mind. Irrespective of all the growth and improvements in the sector, dependence on medical representatives for marketing has come to stay for pharmaceutical companies at least in the near future.

Despite its importance, pharmaceutical selling has not been an attractive position. The basic qualification required for a medical representative (they many also are called territory manager, Territory sales executive, scientific representative, sales executive etc.) is Graduation (Preferably
in biological sciences, pharmaceuticals, paramedical graduations or medicine). The entry level earnings are far better than that of government clerk or bank assistant both requiring similar qualifications. However the nature of profession makes it less desirable due to various issues; a travelling schedule that hampers domestic and social life and severe competition leading to inordinate struggle at customers end. A medical rep may have to wait for hours sometimes for a few minutes of customer’s time (Sushmi Dey, 2013) [206]. The competition also brings in tremendous amount of sales pressure. They face same amount of neglect at the hands of distributors and chemists apart from doctors the most important of all customers. Though the initial salary levels are high, growth prospects are restricted with opportunities only in sales field. Growth also means added pressures and travelling. Another drawback of pharmaceutical sales profession is the lack of direct supervision. You get to meet your colleagues and superiors rarely making professional socialisation difficult. This in turn makes acculturation of the employee to the organisation’s culture very difficult. The social recognition accorded to the job is also very poor leading to a need to form close knit professional group. However there are also benefits to these flipsides. A constant interaction, with customers, lead to an overall improvement especially in communication, positive attitude and a resilient nature. This in turn leads to opening up of newer opportunities both in pharmaceutical and other competitively marketed fields like FMCG, financial products, real estate etc. This has resulted in high turnover among pharmaceutical sales force. Though there are no accessible published reports on turnover among pharmaceutical sales force, it is considered high. Mr. Saigiridhar, marketing manager of Sanofi Aventis reports turnover at 20% annually for his team. However the turnover is not uniform and varies with type of organisation & larger and more stable firms report anywhere between 10-20 turnover and smaller firms report above 20%. Mr. Yuvaraj director marketing of Delvin formulations, a Chennai based domestic player, reports annual turnover of around 25%. Mr. A Venketaramana, marketing manager – Glenmark, a large Indian multinational, reports it at 20%. It is considered that turnover among pharmaceutical sales people is high averaging around 20% per annum. A study by chary & Gupta (2013) [51] found the turnover rate among the pharmaceutical sales personnel to be about 25-30%. This high turnover in turn has high costs associated with it. As all marketing efforts are implemented through the pharmaceutical sales professional, a lack of representation in the territory leads to immediate loss of sale. Many time the sales also migrates
to competitors with whom the sales person seeks a new job. Marketing & sales involves a tacit knowledge developed over a period of time. With the loss of sales person, this knowledge is completely lost and the replacement often has to start on a clean slate leading to loss of productivity for a longer period than the actual vacancy. Many a time trade secrets are lost to the competitor, along with the sales person, leading to counter strategies and a larger loss. There is additional cost to turnover in the form of training costs. The training cost on the leaver is sunk and new investment has to be made on the new recruit that may take long to pay off. Turnover also changes the group dynamics with polarisation between friends and non-friends of the leaver. This may further cause Industrial Relation issues & motivational problems leading to general loss of productivity.

Despite the importance of Pharmaceutical marketing and its problems with high turnover, there has been a dearth of study in the area. A review of recent literature (table 1.2) looked at the studies available on job satisfaction in pharmaceutical industry clearly indicated a need for study of job attributes, job satisfaction and turnover intention among the sales & marketing personnel.

**Table1. 2: Recent researches in Job Satisfaction among pharmaceutical employees**

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Relation Explored</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mulki (2012) (a) [221]</td>
<td>Person Job Fit and Job Satisfaction</td>
<td>Pharmaceutical Sales</td>
</tr>
<tr>
<td>Mulki (2012) (b) [222]</td>
<td>Commitment and Job Satisfaction</td>
<td>Pharmaceutical Sales</td>
</tr>
<tr>
<td>Pawase and Poonawala (2012) [240]</td>
<td>Person Job Fit and Job Satisfaction</td>
<td>Medical Reps</td>
</tr>
<tr>
<td>Mishra (2013) [210]</td>
<td>Job Attributes and Job Satisfaction</td>
<td>Pharmaceutical Plant</td>
</tr>
</tbody>
</table>

**1.3 Rationale of the study:**

1. Job satisfaction is one of the major influences of employee performance, well being and intention to quit. Thus it becomes imperative to understand the levels of job satisfaction to maintain positive job involvement and retention.

2. Job satisfaction may be influenced by various job characteristics like pay, supervision autonomy, opportunity for growth etc. a good understanding of employee attitude towards various job parameters will help develop suitable HR policies to increase job satisfaction & employee retention.
3. Turnover intentions have proved to be an indicator of actual turnover. Thus understanding of turnover intentions will help management plan their employee retention & replacement activities better.

4. There has been no comprehensive study on job satisfaction and factors affecting job satisfaction and turnover intention among the pharmaceutical sale force in India.

5. Sales force is the most critical marketing element for a pharmaceutical organisation due to the legal restrictions. A large portion of the marketing budgets, up to 10% of turnover or 40% of marketing budget, is spent on sales force. A stable sales force provides marketing advantage by building up tacit knowledge. Any increase in employee retention through improvement of job satisfaction will result in improved organisational performance and increase shareholder wealth creation.

1.4 Aims & Objectives:
The aim of the current research is to study the job attitude, of job satisfaction, among the pharmaceutical sales & marketing professionals in India. For the study purpose sales & marketing professions is defined as ‘any employee working in the marketing & sales department of the company and executing a customer interfacing role’. Attempt will be made to understand the critical factors, which affect job satisfaction, among research subjects. A specific tool will be developed to measure job satisfaction among the research subjects. The final step will use the tool, thus developed, to measure the job satisfaction level among the subjects with the specific objectives of

- To measure the satisfaction level with various Job Attributes of Pharmaceutical Sales & Marketing Personnel
- To measure the Affective Job Satisfaction & Turnover Intention of Pharmaceutical Sales & Marketing Personnel
- To measure the impact of Turnover Intention on actual Turnover of Pharmaceutical Sales & Marketing Personnel
- To assess the impact of Demographic & Organisational variables on Affective Job Satisfaction of Pharmaceutical Sales & Marketing Personnel
To assess the impact of Demographic & Organisational variables on Turnover Intention of Pharmaceutical Sales & Marketing Personnel

The study also proposes to test the following Hypothesis

- H1: Intrinsic factor has a significant influence on Affective Job Satisfaction
- H2: Extrinsic factor has a significant influence on Affective Job Satisfaction
- H3: Affective Job Satisfaction has a significant influence on Turnover Intention
- H4: Higher Turnover Intention leads to higher Turnover among the research subjects
- H5: Age has a significant effect on Affective Job Satisfaction
- H6: Age has a significant effect on Turnover Intention
- H7: Salary level has a significant effect on Affective Job Satisfaction
- H8: Salary level has a significant effect on Turnover Intention
- H9: Place of Posting has a significant effect on Affective Job Satisfaction
- H10: Place of Posting has a significant effect on Turnover Intention

*(All hypothesis are tested at 95% CI levels)*

1.5 Research Model

The importance assigned to job satisfaction studies have been due to the fact that job is part of our identity. Job Satisfaction is considered to be the most important and widely studied job attitude (Locke, 1976) [189]. Our social identity is often derived from the profession we hold and we spend our best productive years at work. Work practically affects every individual, and vice versa, with huge impact on the individual’s life and the organisation’s effectiveness. However inclusion of job satisfaction, as a key objective or goal is rarely included, in the directional documents of any organisation along with its vision, mission or value systems. The study of job satisfaction has been mired in confusions basically due to the fact that it has been defined both as an attitude and an affect towards the job. The problem with the differing definitions is that they lead to different ways of studying job satisfaction. Attitudes are composite of affection, cognition and conation about the attitude object. Cognition is an evaluation of the attitude object which results in affection regarding the object and they together cause the behavioural intent regarding the object. This often led to study and measurement of job satisfaction that were not compatible
with one another. Most measurements of job satisfaction like the JDI or MSQ are evaluative in nature measuring the positive or negative evaluation about one’s job or job facets (Motowildo, 1996) [219]. Traditionally social psychologists considered attitude to consist of belief (cognitive) and affective component (Weiss, H.M, 2002) [303]. However there has been a recent consensus in considering attitudes, like job satisfaction, to be a tripartite model consisting of belief (cognition) about the study object, affective experience with the object and behavioural intentions regarding the object. Hulin &Smith (1967) [142] agrees to this fact when they note that job satisfaction to include multidimensional psychological responses comprising of cognitive (evaluative), affective (emotional) and behavioural components. Generally studies on social attitude indicate them to be weak predictors of social behaviours. However job satisfaction, when studied as a social attitude, has been a good predictor of job behaviour. This may be due to the fact that as the individual spends most of his productive time at work, a job attitude continuously percolates his thought leading to behaviour. Other social attitudes may not have such a strong influence on his thought and thus their weak influence of the behaviour.

Eagly and Chaiken (1993) [79] defines attitude as “a psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour”. Another definition is "a relatively enduring organization of beliefs, feelings, and behavioural tendencies towards socially significant objects, groups, events or symbols” as given by Hogg and Vaughan (2005) [131]. In the present study the Job is the attitudinal object being studied. Rosenberg and Hovland, (1960) [255] proposed the ABC model of attitudes considers attitude to be a tripartite construct.

- Cognitive – evaluation about various attributes of the attitude object (Job Attribute)
- Affective – emotional feeling about the attitude object (Overall Job)
- Behavioural – behavioural intent regarding the attitude object (Turnover Intention)

The current study of job satisfaction approaches the subject from the tripartite model of attitude with cognitive, affective and behavioural components. The study proposes that cognition about one’s job leads to affection which in turn results in behaviour (Figure 1.2). Affective job satisfaction, the study proposes, is more of universal construct and is targeted to the object as a whole and not in parts unlike cognition. An employee may probably evaluate his salary unfavourably but may have a positive affect towards his job. This is because of the fact that other
facets of jobs may get a favourable evaluation from him, like co-workers or promotion opportunities, and he may consider them more favourably than his low salary. Affection in turn influences behaviour. An employee, with positive affect for his job, exhibits desirable on the job behaviour and vice versa. The current study proposes the following theoretical model based on the tripartite model of attitude while studying job satisfaction

**Figure 1.2: Proposed Research Model**

The study also proposes the following functional definitions for the cognitive & affective components of Job Satisfaction

*Cognitive Job Satisfaction:* “satisfaction with the various attributes of the job like pay, co-worker, supervision etc.”

*Affective Job Satisfaction:* “overall emotional feeling towards one’s job”