

# Organizational Redesign in a Pharmaceutical Company

SAIDAL Group, the biggest national pharmaceutical company in Algeria (mdipi.gov.dz, 2010) develops drugs in highly specialized areas such as oncology, hematology, immunology, neuroscience, infectious diseases, cardiovascular and metabolic diseases. SAIDAL is increasingly turning towards innovation and becomes nowadays open to new strategies of research and development, combining biotechnologies, artificial intelligence, analysis of real-life data and risk detection of pathologies. New concerns about customer satisfaction, market penetration, and global growth are being raised suggesting business strategies to be optimized and the company's organizational structure to be adjusted.

The aim of this article is on one hand to draft a new organizational structure that enables the company to implement the strategy developed in part one (01) to cope effectively with the new business challenges and on the other hand, to evaluate this structure, identify its negative aspects, and the ways to overcome them.

Organizational transformation is the starting point for any business change (Nadler & David, 1995). It involves rethinking an organization's structure, operations, and business practices to perform better. Organizational transformation is a continuous and evolutionary process whose center is the employee, where his commitment is the key element of success.

Being a company with more than 30 years of history it had a greater structure of work dividend which had brought the company to the current level. After the implementation of changes to the structure in the year 2010 with the newly appointed top management, everything seems to be running with little ups and downs eventually turning it to a big mess with

a lot of revenue loss as mentioned in detail in part 1 of the assignment.

## How Organizational Structure Affect the Performance?

The term “organizational structure” refers to the hierarchical framework that defines and structures the internal activities of a company (John, 1972). An organizational structure is used to structure a company according to its objectives (e.g. increase production, reduce costs, growth). It helps to clarify the following elements: functions, departments, responsibilities, relationships, and workflow (Van Der Aalst, et al., 2004).

The organizational structure thus provides a general overview of performance and tasks inside the company, as well as a basis for all standard procedures and routines. Depending on the objectives pursued by the company, the organizational transformation process can vary considerably.

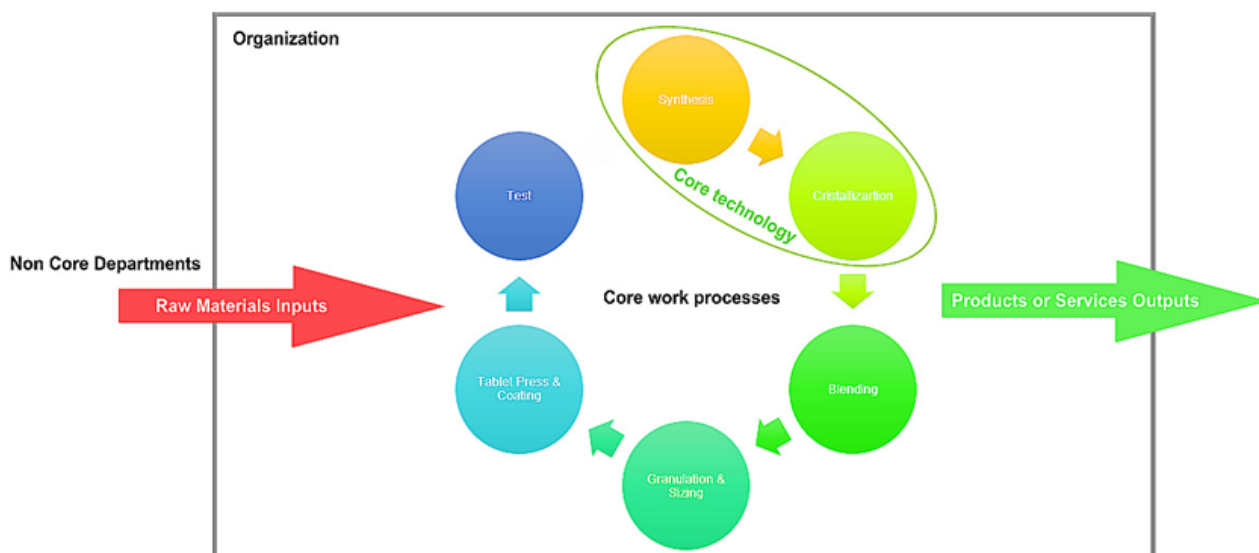


Figure. A typical drug manufacturing process (Maniruzzaman, et al., 2018)

As given in the figure above the drug manufacturing process of all 3 of the subsidiaries of SAIDAL group are similar and

therefore currently only focused on the production aspects.

## Current Organizational Structure of SAIDAL GROUP

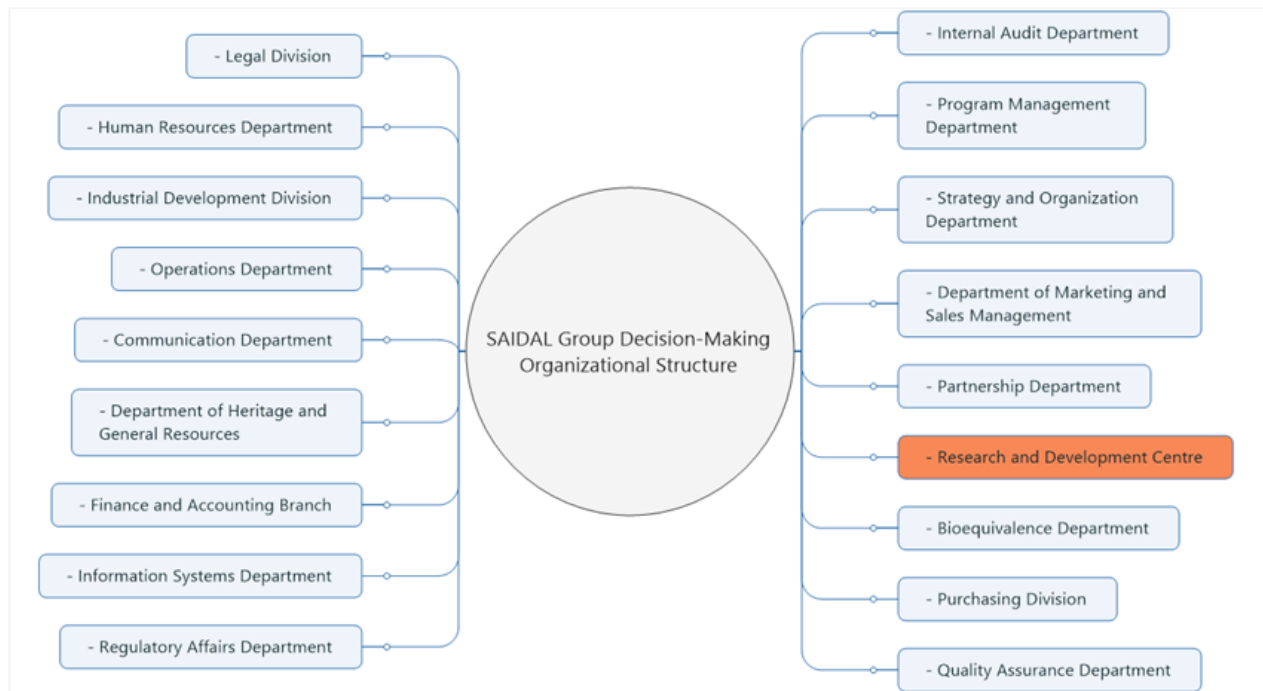


Figure. The Organizational Structure of SAIDAL SARL (SAIDAL, 2014).

The current organizational structure of SAIDAL group is a centralized one surrounding a board of directors where they control all of the divisions within the organization itself. The structure has two types of divisions but all one and those are the direct functional divisions and indirect functional divisions.

The advantage of the above organizational structure is that it is easily scalable where employees can specialize in their field, and thus work more efficiently. Clear areas of competence and responsibility would help to avoid activity duplication such as accounting in different departments. At the same time, the functional structure allows for quick decision making as the span of control is lesser in a certain

division and therefore decisions have to be approved by only one boss. It is therefore particularly suitable for small companies that produce a relatively small range of standardized products in big quantities and at low costs.

One disadvantage is the communication barriers that could arise between the various functional areas in such a rigid structure. The more a department works for itself, the less its ability to communicate and its coordination with the other departments is reliable. Consequently, confusion, conflict of interests and reduced productivity might occur. The lack of orientation towards a specific market, target group or product, as well as the high degree of standardization and formalization also limits the potential for innovation (Desreumaux, 1996).

In conclusion, we can decide that this organizational structure is suitable for a small scale organization only and for SAIDAL like an organization with more than 2300 employees in it there must be a much of differentiation and changes needed to proceed ahead.

## **The impact of the current structure on the global performance**

For several years, SAIDAL SARL has kept the same strategic objective of consolidating its position as a leader in the production of generic medicines, the group also contributes to the implementation process of the drug policy established by the public authorities (Boukhari, 2012).

Year	2009	2010	2011	2012	2013
Products sold	226	232	227	192	169
<b>Source</b> : <i>Université Abou Bekr Belkaid de Tlemcen</i>					

**Table 1.** *Number of products (therapeutic class) sold during the period 2009-2013 by UCE-SAIDAL*



Figure. The number of products (therapeutic classes) sold between 2009-2013 by UCE-SAIDAL.

We can see in *Figure 3* that the number of products (therapeutic classes) sold has decreased significantly after the year 2010 and reached 169 products in 2013, a decrease of 25% compared to 2009.

This could be interpreted as the result of a very limited number of new products introduced in the market, a failing marketing strategy, failure to cope with the current competitive environment, the withdrawal from the market of several specialties: Paralvic, Tenobiotic, Camphobiotic, and the ineffective strategic decisions of the company including production shutdown in Solupharm, AGD Pharma and the Batna production unit. This sharp reduction in the number of products did not have a direct impact on the annual revenues but could have a negative impact on the company's image in the long term if the problems mentioned are not rapidly solved (Boukhari, 2012).

When dug down to the core reason for the above decline and the bankruptcy as described in part 1 of the report, it can be analyzed departments have worked separately without any

coordination and especially the Research & Development division with much employee turnover and the decline of their progress due to malfunctioned work alignment.

## **Organization Design for Implementing Management Change**

Businesses need a clear structure to operate smoothly and grow at the same time. Without structure, there is no clear goal, neither for management nor for employees. This creates confusion and stress and would potentially generate many conflicts in the sharing of responsibilities. The result is a lack of coordination and slow decision-making processes, which could have a long-term impact on the economic efficiency of a company.

A well-thought-out organizational structure, which defines the chains of direction, margins of control and communication channels in a comprehensible manner makes it easier to align the company's capabilities with its objectives. This could be achieved, for example, by clarifying the value chain, creating an overview of work areas and even reducing organizational costs. This also helps new employees to orient themselves within the company, to know their superiors and subordinates, and to understand the overall situation and their career prospects within the company. A clear organizational structure thus contributes to improving employees' sense of security and their satisfaction.

Therefore, a redesign in the structure as well the value chain of the SAIDAL group is essential to get the 100% out of the new structure and the organizational performance with innovation included.

## **Redesigning a New Organizational**

# Structure of SAIDAL Group SARL

It is not so easy to design the right organizational structure and present it in a clear organizational chart. The greatest challenge here is to achieve a solid and reliable structure despite the complexity of the current environment.

Currently, the organizational structure of SAIDAL Group has 18 divisions working with their own separate goals without a communication within them. This is the main thing that needs to be corrected. Other than those following objectives need to be set prior to restructuring,

- Increasing the communication within the organization (inter and intra-divisional)
- Decentralization of the span of control
- Restructuring inside of the Research and Development division
- Introduction of a division for International Business
- Introduction of an outsourcing management division
- Increasing Innovation strategies

## **A “Mixed” organizational structure (Matrix + Divisional Organizational Structure)**

As in the previous details that to avoid the communication problem, we have to go towards matrix organization structure, but total conversion to matrix means it makes the structure much complicated. Therefore, a mix of matrix and current divisional structure is essential.

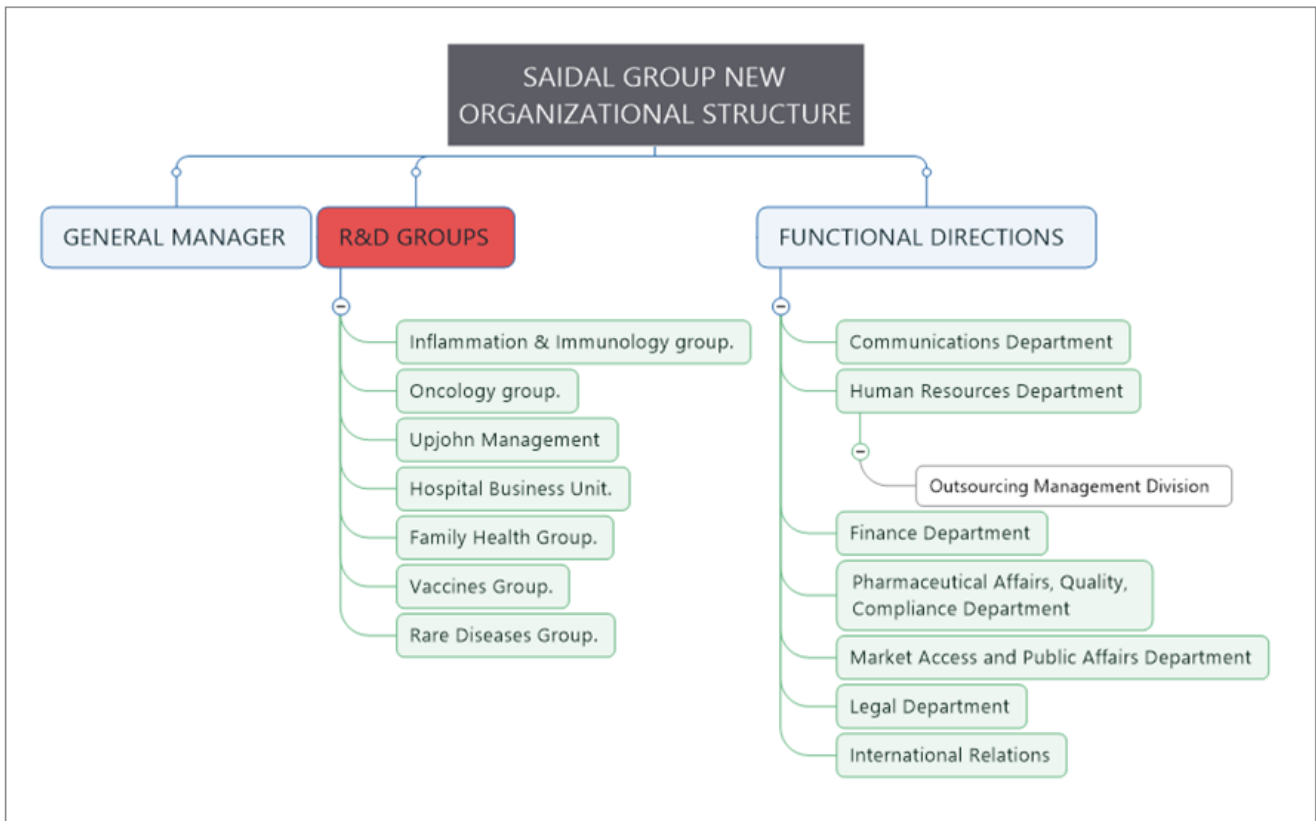


Figure. SAIDAL SARL new organizational structure

This structure provides an innovative organizational structure that allows the company improve its global performance by separating the R&D department center from the functional directions and splitting it into highly specialized and independent units, reducing administrative costs and improving competitiveness through a targeted research and development approach based on market demand. This indirectly adds Innovation to spread throughout the System.

The above structure will increase the overall performance of the company by improving production and distribution methods, efficiency and productivity, administrative and procurement costs, employee job satisfaction and business relationships.

## Span of Control

Divisions, networks, and funds should be better adapted to the company's objectives rather than traditional functional hierarchy. The corresponding concepts are usually grouped under the term "flat hierarchies" and presented, for example,



in the form of a circle (e.g. in the case of circular organizational structures):



Figure. A flat hierarchy within a matrix organizational structure

Management is not represented at the top but in the middle of the organization. The CEO intervenes less directly in the work of his employees and instead communicates his corporate visions from the inside. There are only a small number of levels in middle management so that each of the department heads is responsible for a larger number of employees, but the management chains are shorter.

Flat hierarchies are therefore increasingly based on personal

initiative and individual responsibility of employees (Hunter, 2002).

At the same time, they make it possible to provide feedback directly to the right person instead of having to transmit ideas through traditional and sometimes tedious procedures. While traditional concepts provide for a relatively tight separation between semi-autonomous departments especially the R&D ones, the boundaries are less strict within flat hierarchies.

R&D center shall be divided into highly specialized units, responding to the market demand. This allows greater flexibility in work organization and would potentially increase the employees' motivation.

## **Advantages of the Restructure**

Once the restructure is in place following advantage can be gained,

- Increased communication within the organization
- Higher work efficiency
- Supporting innovation
- Increased employee satisfaction
- Greater collaboration and motivation within the team

## **Possible Disadvantages**

Risk of conflicts and communication problems and unsuitability with decentralized operations. Decision-making circuits can become very long. Without unity of command, it sometimes becomes difficult to make decisions or reach compromises to develop a common vision.

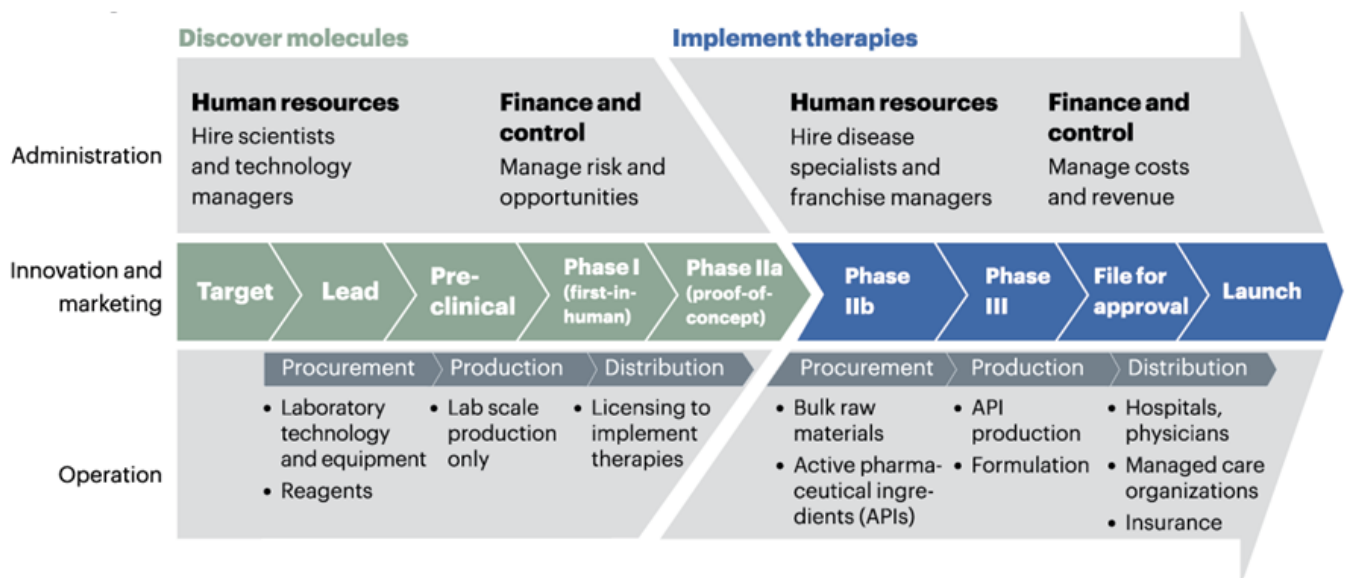
Challenging the principle of the hierarchy can lead to numerous conflicts between managers and thus hamper the implementation of the strategy in question (Larson & Gobeli, 1987). Greater difficulty in establishing a global corporate

culture, redundancy of posts and higher costs (Fairfield, 2016).

Other than that when implementing this kind of structural change it is essential to follow a method of change management like Kurt Lewi's Change Management Model. If not cultural and hierarchical issues may arise as this will become a radical change in the terms of this organizational context when implemented.

## Changes to Value Chain Structure

As provided in the suggestions it is needed to implement changes as well to the value chain ones the restructuring is done in order to gain the maximum efficiency and the effect for productivity. Therefore, following value chain in proposed for action in terms of combining human resource management and finance division as a collaboration for the activities of pharma production.



This structure will create the coordination between each division of the traditional chain while adding the expertise of Human Resource Management for outsourcing and getting the open innovation to the organization and with the Finance division to get it at a highest profitable and efficient

manner.

## Conclusion

This restructuring is done with the effort into a development effort. R&D remains more rooted in organizational charts than in reality. Organizational Change is inevitable for the survival of SAIDAL SARL in so far as it facilitates the implementation of the business strategy discussed in part 1. It has also a positive impact on global performance.

First of all, change is expected at the employee level since the employee is at the heart of the company well-supported change will have positive effects on him/her: motivation, involvement, development of knowledge and skills through learning and cooperation.

It can be concluded that a mixed organization structure of both matrix and divisional features is ideal for the SAIDAL Group while having a change in the value chain.

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