

Administration Expenditure and Sales Performance of Pharmaceutical Sector of Pakistan:

A Comparison Between Local and Multinational Companies

(A Case Study of Multinational and Local Pharma Companies)

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Abstract

The study compared the role of administration expenditure on sales performance between local and multinational pharmaceutical firms of Pakistan. The study worked upon the hypothesis that compared the Impact of Admin Expenditure on Sales in Pharmaceutical Company with 3 local and 3 Multinational Pharmaceutical Companies. A total of 100 participants took part in the survey and the researcher utilized mixed method research techniques. The respondents reported that they are able to achieve higher sales than their competitors due to effective administration. The qualitative analyses shows that pharmaceutical firms cannot pay their staff less only because the firm had a poor sales month since these administrative expenditures are fixed to the company itself and are not dependent on the amount of sales made by that company. A corporation may end up having superfluous departments, a complicated management structure, and extremely expensive administrative costs if it grows too much and too quickly. These need to be properly watched in order for the analysts and management team of a certain organization to develop a successful plan at the appropriate moment.

Keywords: Pharmaceutical, Admin Expenditure, Sales, Pakistan.

Introduction

Background/overview

The efficacy and efficiency of a sales team in attaining its sales goals and objectives is referred to as sales performance (AGBANU et al., 2023). A number of indicators, including sales revenue, conversion rates, average deal size, and quota attainment, may be used to quantify it (Itani et al., 2022). A number of variables, such as product quality, market demand, the competitive environment, and the abilities and motivation of the sales staff, have an impact on sales success (Rodriguez et al., 2022). A company may expand and flourish by increasing its sales potential and its total return on investment with the aid of effective sales performance management (Amelia et al., 2022). However, the pharmaceutical business is a highly competitive and regulated market, and a variety of variables influence how well companies in this field succeed in terms of sales (Di Domenico et al., 2022). Drug efficacy and safety, changes in healthcare regulations, the state of the economy, and market competitiveness are a few examples (Beall et al., 2021). Companies may also spot patterns, strengths, and weaknesses by evaluating sales performance data, and they can create plans to increase their general market success (Beall et al., 2021). The number of mergers and acquisitions in the pharmaceutical business has increased recently, which has resulted in the establishment of bigger and more varied enterprises (Iazzolino & Bozzo, 2022). A more competitive environment has been created as a consequence of company consolidation, and businesses must now work to stand out from the competition via product innovation and marketing tactics (Kim & Kim, 2022).

Furthermore, there are strict guidelines for the approval of new products and treatments, and the pharmaceutical business is closely controlled (Harada et al., 2021). It is not assured that the product will be approved throughout the lengthy, costly review procedure. The high-tech sector

of the Indian pharmaceutical business has shown constant expansion throughout the years (Singh, 2023). In terms of value, it makes up around 1.5% of the global pharmaceutical business, while in terms of volume, it makes about 10%. Numerous businesses of all sizes make up the sector (Gupta et al., 2022). By 2021, the sector is projected to develop at a compound annual growth rate of 9.5% and reach roughly \$20 billion (Tokarski et al., 2021). While the overall number of multinational corporations in Pakistan is just 3%, national companies make up 97% of all enterprises there. Contrary to expectations, MNCs account for 67% of overall sales, while NCs only account for 33% of sales (John, 2022).

Statement of the problem

According to an earlier study, a perfect fit between the leader's objectives, purpose, goals, and objectives and its human resources is required (Wiradendi Wolor et al., 2020). This alignment is necessary to achieve the sales performance of national pharmaceutical companies because human resource-related issues, such as low levels of income, inadequate standards for valuable presentation, insufficient incentives, poor employment scales, a lack of adequate compensation for employees' labor, and subpar supervisory management and employee motivation, are prevalent in developing countries (John, 2022). Therefore, national pharmaceutical firms in Pakistan are neglecting strategic human resource management procedures; as a consequence, employee performance is declining, which in turn lowers organizational sales performance (Anees et al., 2021). The concept of organizational performance is still growing in a developing nation like Pakistan. National businesses (NCs) will need to use a systematic approach to recruiting, training, and developing enticing incentive systems to attract and retain outstanding employees if they want to enhance the performance of their firm (El-Gohary et al., 2023).

Research objective

The study compared the role of administration expenditure on sales performance between local and multinational pharmaceutical firms of Pakistan.

Review of the Literature

It's possible that the complex connection between a firm's administrative expenses and its level of sales performance may shift depending on the particular circumstances surrounding that organization (Hanaysha & Alzoubi, 2022). The term "operation expenses" is often used to refer to administrative costs, which might include things like rent, utilities, payroll, and office supplies (Elrawy, 2022). "Sales performance" refers to the extent to which a corporation's sales operations are successful in generating revenue for that company (Alavi et al., 2022). In addition, there is an undeniable relationship between the expenditures of administration and the final count of sales (Kaufmann & Kock, 2022). Prior studies showed when a company invests in marketing and sales activities, it may be able to enhance its sales performance; nevertheless, this may result in an increase in administrative expenses (Dolega et al., 2021; Hertati et al., 2022). For instance, if a company makes an investment in a more efficient marketing campaign, it may be able to raise profits by increasing the amount of internet traffic it receives (Angeloni & Rossi, 2021).

A company may choose to strengthen its sales force by hiring more salespeople, but doing so will result in an increase in the amount spent on administrative expenses (Kalra et al., 2023). However, spending an excessive amount of money on administrative expenditures may have a negative impact on sales performance (Ivanov et al., 2022). It's possible that a company's administrative expenses are dragging it down to the point where it's losing money and finally losing sales (Barnes, 2022). Another study highlighted, it is essential for a company to strike a balance between the costs of running its business and the level of success it enjoys with its sales

(Susanto et al., 2022). The company must ensure that it spends just the right amount of money to enhance its revenue without spending excessively and thereby risking its profitability (Mandipa & Sibindi, 2022). The connection between administrative expenses and effective and efficient sales may also be influenced by factors external to the company, such as the conditions of the market and the level of competition (Hadrian et al., 2021). In order for companies to stay one step ahead of their rivals and improve their overall performance in a highly competitive market, they may need to increase their administrative expenditures (Anwar & Abdullah, 2021). On the other hand, if the market is extremely slow, a company may need to reduce the amount of money it spends on administration in order to stay up with sales while also saving money (Alzoubi, 2021). As a consequence of this, there is a complex relationship between the administrative expenses of a company and its level of sales performance, which may shift depending on the particular circumstances of each company according to (Chaker et al., 2022). A company has to carefully analyze both its administrative expenses and sales performance in order to assure that it is spending just enough to grow sales without negatively impacting its bottom line (de Jong et al., 2021). This can only be accomplished by carefully analyzing both of these factors. Additionally, businesses need to be aware of other factors that have the potential to influence this link in order to adjust their spending appropriately (AlTaweel & Al-Hawary, 2021).

Methodology

Sample and population

Over the last 7 days, the Pharma industry has risen 3.9%, driven by gains from Abbott Laboratories (Pakistan) of 11%. In contrast, the industry has lost 41% in the last 12 months. As for the next few years, earnings are expected to grow by 33% per annum.

Data collection

The term "secondary data" is used to describe any dataset that was gathered by a source other than the end user. Using secondary sources of information makes it possible for researchers and data analysts to build large, high-quality databases that aid in the solution of commercial problems (Vartanian, 2010). The present study relied on previously collected information from annual reports for its secondary data. A population's demographics may be gathered via surveys (Sharma & Kumar, 2022). Surveys and questionnaires are common data collection tools in quantitative social research, and they're used to learn about individuals and what they require in regard to certain topics.

Data analysis

Descriptive statistics is a branch of statistics that deals with summarizing and presenting data in a meaningful and concise way (Koh & Owen, 2000). Descriptive statistics can include measures such as mean, median, mode, standard deviation, quartiles, and many others (South et al., 2022). These measures help to provide a summary of the dataset, allowing for deeper insights into the data and its relationships. Hence, in the current research descriptive statistics have been used for quantitative data analysis.

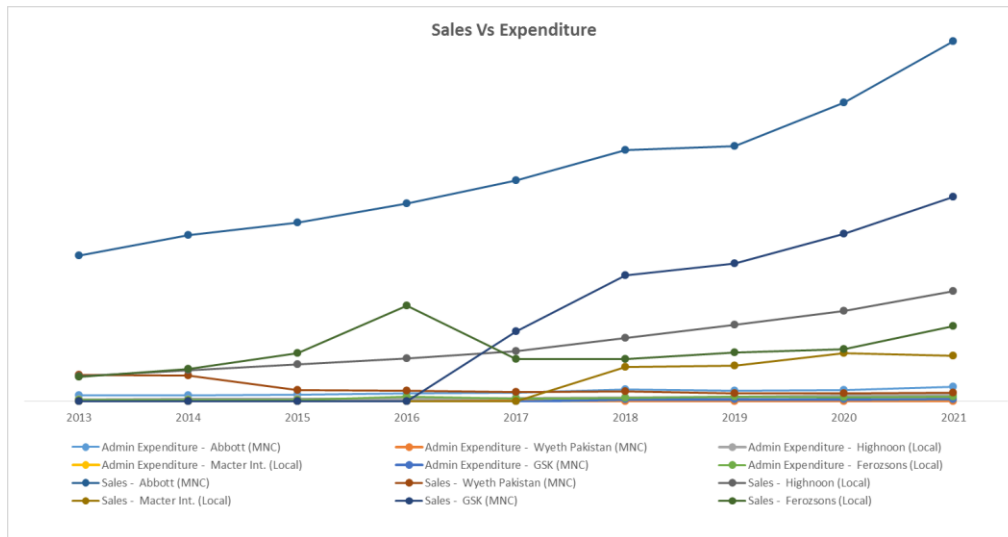
Thematic analysis is a qualitative research method used to identify and analyze patterns (themes) within data (Humble & Mozellius, 2022). It is commonly used in the social sciences to analyze written, spoken, or observed data such as transcripts of interviews, focus groups, or written responses to open-ended survey questions. The process involves breaking down the data into smaller segments, coding the segments into themes, and then synthesizing the themes to build a comprehensive understanding of the data (Braun & Clarke, 2022). The ultimate goal of thematic

analysis is to identify and understand the underlying themes and patterns within the data and to use these themes to answer research questions.

Results and Findings

Secondary analysis

The following graph demonstrates that admin expenditure in Abbott (MNC) has remain constant throughout the years from 2013 to 2021. Admin expenditure at Wyeth Pakistan (MNC) has also remained stable throughout the years 2013 to 2021. Admin expenditure at Highnoon (Local) shows a constant graph from years 2013 to 2021. Admin expenditure at Macter Int. (Local) shows equilibrium from 2013 to 2021. Admin expenditure at GSK (MNC) is also constant throughout these years. Admin expenditure at Ferozsos (Local) was in equilibrium state from years 2013 to 2021.



As seen above, the sales in Abbott have increased from 2013 to 2018 then shows a constant behavior from 2018 to 2019 with a sudden rise from 2019 to 2021. The sales at Macter Int. has also remained stable throughout the years 2013 to 2017 with increased behavior from 2017 to 2018 then shows an equilibrium from 2018 to 2019 with a gradual rise till 2020 then gradual fall till 2021. The sales at Wyeth Pakistan show a constant graph from years 2013 to 2021 with a

sudden decrease from 2014 to 2015 and then somewhat constant behavior from 2015 till 2021. The sales at GSK show equilibrium from 2013 to 2016 with a sudden rise from 2016 to 2018 then a gradual increase from 2018 to 2021. The sales at Highnoon show a gradual increase throughout these years. The sales at Ferozsons shows gradual increase from 2013 till 2015 with a sudden rise from 2015 to 2016 then a sudden decrease from 2016 to 2017 then was in equilibrium state from years 2017 to 2020 with gradual increase till 2021.

Primary analysis

Table 1 shows the demographic profile of 100 respondents from the local and multinational pharmaceutical firms of Pakistan.

Table 1: Respondents' Profile (n = 100)

		N	%
Your Company	Abbott (MNC)	22	22.0
	GSK (MNC)	19	19.0
	Wyeth Pakistan (MNC)	16	16.0
	Highnoon (Local)	10	10.0
	Macter Int. (Local)	14	14.0
	Ferozsons (Local)	19	19.0
Working Experience	Less than 1 year	27	27.0
	1 to 3 years	21	21.0
	3 to 5 years	27	27.0
	More than 5 years	25	25.0

A total of 100 participants took part in the survey. Out of those, 22 (22.0%), work in Abbott (MNC), 19 (19.0%) have worked in GSK (MNC), 16 (16.0%) work in Wyeth Pakistan (MNC), 10 (10.0%) participants work in Highnoon (Local), 14 (14.0%) are working in Macter Int. (Local), and 19 (19.0%) work in Ferozsons (Local). As far as working experience is concerned, participants working for less than 1 year in their respective pharmaceutical firms are 27 (27.0%),

those who have been working for 1 to 3 years are 21 (21.0%), those working for 3 to 5 years are 27 (27.0%), and participants who have been working for more than 5 years are 25 (25.0%).

Table 2 below shows the descriptive statistics of the employees' perspective regarding the effect of administrative expenditure on sales performance.

Table 2: Descriptive Analysis of the Employees' Perspective

Questions/Factors	Mean	Std. Dev.
Sales are dependent on proper administration.	3.050	1.373
Sales and administration are complementary to each other.	2.990	1.547
Proper administration can bring sales efficiency.	3.070	1.387
As a salesperson, I believe that effective administration can improve sales.	3.070	1.350
Administration should be effective whenever needed.	2.760	1.357
Sales team coordination are important to achieve administration goals.	2.940	1.420
We are able to achieve higher sales than our competitors due to our effective administration.	3.090	1.379
Our administrative efficiency increases our revenues.	3.050	1.445
We are selling quality products due to our effective administration.	3.010	1.467
Our firm utilizes all of its resources efficiently, producing most output from least input.	2.940	1.455

As seen above, as per the employees' perspective, the factor "We are able to achieve higher sales than our competitors due to our effective administration" (3.090 ± 1.379) is the most significant factor when it comes to the effect of administration expenditure and sales performance of pharmaceutical sector of Pakistan. Second most important factor is "As a salesperson, I believe that effective administration can improve sales" (3.070 ± 1.350). Third most important factor is "Proper administration can bring sales efficiency (3.070 ± 1.387). Fourth important factor is "Sales are dependent on proper administration" (3.050 ± 1.373). Fifth most important factor is "Our administrative efficiency increases our revenues" (3.050 ± 1.445). Sixth most important factor is "We are selling quality products due to our effective administration" (3.010 ± 1.467). Seventh most important factor is "Sales and administration are complementary to each other"

(2.990 \pm 1.547). Third last factor is “Sales team coordination are important to achieve administration goals” (2.940 \pm 1.420). Second least important factor is “Our firm utilizes all of its resources efficiently, producing most output from least input” (2.940 \pm 1.455). The least important factor is “Administration should be effective whenever needed” (2.760 \pm 1.357).

Qualitative analysis

The qualitative analyses shows that pharmaceutical firms cannot pay their staff less only because the firm had a poor sales month since these administrative expenditures are fixed to the company itself and are not dependent on the amount of sales made by that company. The ratio of sales to administrative costs is used to display the quantity of sales produced per dollar of administrative costs. As previously stated, a high ratio of sales to administrative costs indicates that the firm is performing admirably in terms of its infrastructure. On the other side, a low ratio may indicate that the company's fundamental components are inefficient and that infrastructure reform is necessary. The ratio of sales to administrative costs is primarily used to forecast recruiting plans, company strategy, and expansion planning. A corporation may end up having superfluous departments, a complicated management structure, and extremely expensive administrative costs if it grows too much and too quickly. These need to be properly watched in order for the analysts and management team of a certain organization to develop a successful plan at the appropriate moment.

Conclusion and recommendations

Conclusion

The findings of this research indicated that administrative expenditure had a large and positive impact on sales performance. A combination of techniques, including questionnaire surveys and interviews, were used to gather the data. Pharmaceutical firms in Pakistan have been selected as

a target market. Since a substantial number of consumers from all over the globe actively seek out medications created in Pakistan, increasing the profitability of the pharmaceutical business, the information was acquired from the managers and executives of MNCs and pharmaceutical enterprises. Additionally, the impact of administrative costs on the long-term sustainability and growth of pharmaceutical companies, as well as the relationship between administrative costs and customer satisfaction, can also be determined by researching the effects of marketing, R&D, and other factors, such as administrative costs, on sales success.

Practical recommendations

The findings of this study contain a number of useful management recommendations, such as the use of more simplified processes to reduce the amount of inefficiency and needless effort. By instructing individuals in the art of penny counting, results of this study may foster a mentality that places a premium on effectiveness. By encouraging employees to question the need for certain expenditures and look for ways to save money without sacrificing the quality of the output, may reduce costs. This goal can be met by developing a distinct and effective sales and marketing strategy, the primary goal of which is to identify and focus on high-value customers and markets. Finding methods to reduce duplication and save money via negotiations with suppliers and other cost-cutting initiatives, as well as looking for additional ways to save money, may help reduce expenditures and make the logistics process more efficient overall. The acquisition of new skills and the expansion of current ones may help employees become more productive and efficient, so businesses should consider investing in training and development programs for their employees.

Limitations and future research

In a country like Pakistan that is still developing, the idea of sales performance is still expanding. To improve the performance of their companies, national enterprises (NCs) will need to take a methodical approach to hiring, training, and creating alluring incentive programs for luring and keeping exceptional personnel. Data comparing the sales performance of local and international pharmaceutical enterprises in Pakistan is not widely accessible. The financial performance of both kinds of firm, including revenue growth, market share, and profitability, might be compared in research to ascertain which type of company is doing better in terms of sales in the Pakistani market. In order to provide a complete picture of the sales performance of local and international pharmaceutical enterprises in Pakistan, factors that may have an influence on each kind of firm's performance, such as governmental laws, distribution networks, marketing plans, and brand recognition, might also be examined.

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