

IMPROVING TIME PRODUCT LAUNCH WITH BALANCED SCORECARD AND KEY PERFORMANCE INDICATORS IN PT. DIPA PHARMALAB INTERSAINS

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ABSTRACT

As a pharmaceutical company, DPI has implemented many management improvement systems such as 5S, ISO, BSC and Kaizen. Starting in 2005, DPI implemented 5S to improve its filing system and continued with ISO 9001 for management quality improvement. In 2007, DPI received ISO certification and Balanced Scorecard (BSC). Despite long implementation time, the BSC system has not run well because of poor understanding and weak top down enforcement. Although DPI had achieved good performance without BSC, its top management never really knows what the current situation of DPI's business is. Implementing BSC at that time still couldn't answer the question. On the other hand, implementing BSC was a kind of waste time of and money with very minimum impact on top management decision monitoring of DPI's business processes. DPI's BSC has been modified several times. The last version was implemented in 2011 with a breakdown of KPIs down to individual level. Still this last version and KPIs are not running well especially in quality aspect. With this new version, top down strategic map and KPIs seem to run well but the horizontal KPI are not yet established. With this situation every department only have guidance in vertical line and don't care about other departmental achievement. One

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sample of this situation could be seen on launching new products. This situation has to be improved using BSC and KPI.

Keywords: balanced scorecard, key performance indicators.

BACKGROUND

Dipa Pharmed InterSains, PT (Dipa) is pharmaceutical company that has main business in import, manufacture, market and distributes drugs and medical device in Indonesia. To support this business process, Dipa implement some tools such as Balance Score Card (BSC). BSC is monitoring device to look at Dipa's performance. This tool has been implemented since 2007 and has been modified in 2010. In practice, Dipa more focus on Key Performance Indicator (KPI) as measuring units in BSC. This situation develops silo mentality among departments in Dipa.

The processes starting from Business Development that looking for new products, followed with Regulatory affair that register the product to Indonesia authorities. After Dipa is granted to import the product, then Import department and logistic take their part to make the product available. Finally, marketing has to promote the product through doctors. To support this main process, there are several departments such as Human Resource (HR), Finance & Accounting (FA), General Affair (GA), Information Technology (IT), Internal purchasing, Internal Audit, Legal, Document & Record Control and Operational Planning. All of these processes could be seen in below picture.

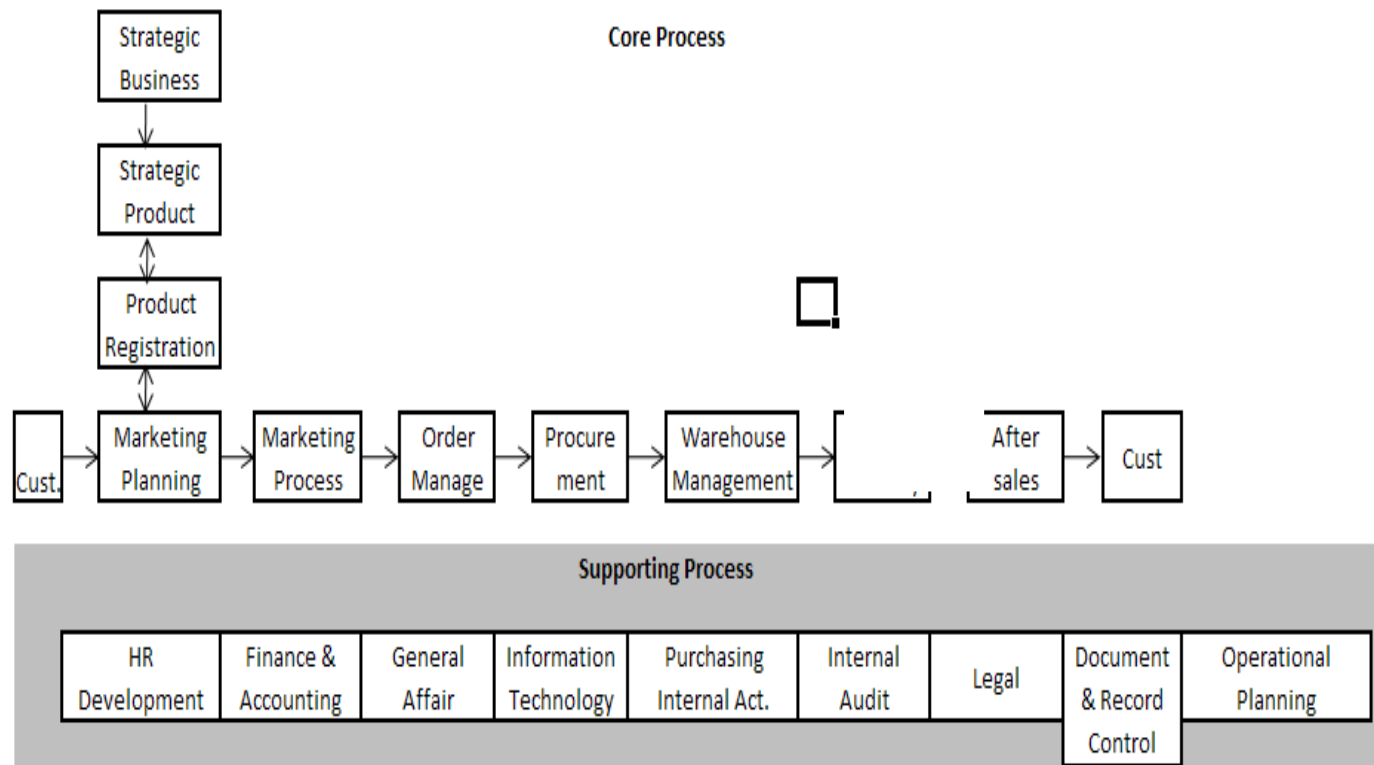


Figure 1. The Departments for Product Launch

Problem Statement

Time to launch a product is calculated since Dipa got regulatory approval from Indonesian Food and Drug Administration (FDA, Badan Pengawas Obat dan Makanan – BPOM) until giving its first sales. In average, Dipa need about 6.3 months to launch a product while other companies are about 3 months. So Dipa late about 3 months compare to other pharmaceutical company to get market. Late launching a product will make late receiving revenue and could loss market as well. This becomes very important especially for first copy product. Best strategy is launching the product at a day after the product patent expired.

Several processes in launching a product are happened. This process is involving several internal departments and couples of outside organization such as BPOM and principals. Principals are organization that produce and supply the product to Dipa. Internal departments that involve in this process are Business Development

(BD), Regulatory Affair (RA), Import, Logistic and Marketing. Until now Dipa don't have any procedure and person in charge (PIC) to manage this process. With this study, we try to find root of problem that makes launch product takes so long in Dipa. After find the root of cause, we will give alternative solution and try to use BSC as one tool that already implemented to minimize time consumed in product launch time.

THEORETICAL FOUNDATION

Balance Score Card (BSC)

Several definition of BSC are a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (Kaplan & Norton; 1996).

To reach the goal by using BSC, company needs align business activities by making strategic planing in four perspectives. These four perspectives are Financial, Customer, Internal Business Process and

Learning and Growth. These four perspectives will give balance to review business process in the company. And a powerful tool to look where the problem start and cause. Although BSC already proven very good management's tool to monitor and align business process, not every employees could accept this concept. According to Davies (2005), there's seven barriers when you want to implement BSC, they are:

- a. **Defined strategy**
- b. **Management style**
- c. **The paper chase.**
- d. **Centralized measures.**
- e. **Lack of integration.**
- f. **Ignoring conceptual issues.**
- g. **Excluding stakeholders.**

Strategy maps

According to Kaplan & Norton (2001) Strategy Map is how an organization creates value by connecting strategic objectives, which is related to the four objectives of BSC. With strategy maps, it can connect things like the creation of shareholder value creation, customer management, process management, quality management, core capabilities, innovation, human resources, information technology, organizational design and learning with one another in one graphical representation.

Key performance Indicator (KPI)

According to Parmenter (2010) KPI is series of measures that focusing on organizational performance aspect and important to success the organization in present and future. There are seven characteristics in KPI:

1. Non financial measurement
2. Frequency measurement
3. Review by CEO and senior management team
4. All staff must understand the measurement and corrective action
5. Both individuals and team stake responsibility
6. Significant influence
7. Positive influence

The success of this KPI tool, must be supported with conditions of the employees who applied by this KPI's. The lack of mutual cooperation

between employees to support in the success of the company's performance, the main constraint that appears in the company is siloism even within each division that related to the performance.

Silo Mentality

A silo mentality reduces efficiency and effectiveness, also as a factor that can be failing corporate culture (Investopedia, 2011). Top level management in successful firms spends a lot of their time trying to ensure that information flows freely between departments to ensure that all aspects of the company are functioning effectively. Contemporary management views suggest that the silo mentality mindset must be broken in order for employees to remain motivated and be happy to come to work. Efficient companies promote the sharing of information in an attempt to let the combination of groups function as a team.

RESEARCH METHODOLOGY

Research conducted at 7 departments directly related to product supply chain from DPI especially correlated with new product launch. They are BD, RA, Import, Logistic and Marketing. Review focus on strategy map in BSC and KPI that indicated for horizontal coordination. In this GFP, review will be focus on new product launch and departments that related to product launch and BSC. To understand each department's responsibilities, brief job descriptions of each department are listed below:

Business Development and Regulatory Affair

DPI's business started with BD looking for a new partners or products to be marketed in Indonesia. BD's main activities are made of market analysis of a product and finding the new sources of products. Based on this, BD proposes a set of products that ready to be registered by RA and marketed by DPI's marketing team. For market analysis, the BD needs to survey doctor and search through the internet to find the latest trend in medication. BD also responsible to ensure that the products they found are able to pass the government registration process. For these, BD has to check about patent issues and document requirement from BPOM or MOH.

All products need to be registered either at MOH or BPOM depending on the requirement. DPI has a special team doing the registration process and called the RA. Registration process varies depending on the government institution and principal services. After obtaining the approval from the authorities, then DPI could import the products in finished form or import the raw materials to be manufactured. BD then transferred their knowledge to other department for product launch preparation.

Import and Logistic

During products launch, Logistic and Import need to know several things about products such as handling, storage condition, term of payment, quantity to import, contact person and place of departure. All of this information could be supplied by BD or directly ask to principal when BD miss the information.

Marketing

Each business unit is lead by Business Unit Manager (BUM) which controls product manager and sales manager. In term of products launch, marketing prepare many things. They recalculate forecast and pricing strategy. They are preparing the team with product training and promotion material. Information for such as these things could be coming from BD or RA or directly from principal.

Data Collection Methods

Since evaluation area is in coordination between several departments, and then most of data collected in a form of qualitative data. From the interview we expect to get information about KPI and BSC implementation regarding launch new product time consumed. Participants are head of department in DPI that have correlation with products launch. They are BD, RA, Import, Logistic and marketing.

Data will be collected from internal and external document. Project data for all survey activities in DPI executed through the process:

- ISO
- BSC
- KPI
- Government Regulation
- Interview

Collected data will be compared to theory and best practice from other companies. At the end we will find the best solution that could be suggested for DPI to improve time consumed during products launch.

FINDINGS

1. No Standard of Procedure.
2. No Person in Charge.
3. No monitoring tools.

Process Flow

As a resume, each job description could be seen in below table.

Table 1. The Process Flow Activities

No	Department	Job description	Time
1	BD	• Give necessary information to related department regarding the new product	• Start when got information from RA that a new product already approved. It will be done in less than a
2	RA	• Give information to related department that a new product is approved.	• As soon as approval confirmed
3	Principal	• Produce product	• As soon as order request received
4	BUM / PM	Prepare product launch: 1. Make promotion material 2. Recalculate forecast 3. Prepare training material 4. Prepare launch event	• As soon as approval confirmed
5	Medical marketing	• Preparing training for field forces	• As soon as approval confirmed
6	PICA	• Send order request to principal and coordination with import and FA for new product arrival	• As soon as approval confirmed
7	Import	• Coordination with PICA, logistic and FA for product arrival	• As soon as PICA placed order
8	Logistic	• Preparing warehouse for new products	• after product arrived at warehouse
9	FA	• Coordination with marketing and import for payment	• when due time of payment

Interview Result

Table 2. Respondent Summary for Product

No	Question	Respondent Input	
		External	Internal
1	What is your opinion on launch new product in your company?	☑ Most respondents mentioned that they don't have any problem to launch new products.	☑ They all confirmed that DPI has a problem for launching new products. They just feel that something missing and need to improve but they don't know it very well.
2	In general how's your company manages activities in launching a new product?	<ul style="list-style-type: none"> • They are being involved from the beginning of the project. • There for they could start their task before registration approval is received. 	☑ Not firm information regarding product approval is the most obstacles in DPI.
3	Who is the main actor in new product launching process?	<ul style="list-style-type: none"> • The marketing department is the one who becomes the main actor for launching new products in three companies. • One company mentions that BD and RA are the right department to lead launching new products. • Two other companies mention that they don't have any department that fully responsible for launching new products. They just make coordination internally and supervised by the director. 	<ul style="list-style-type: none"> • They think that product manager is the right person in charge to launch new products. Only one person thinks that BD is the right person in charge to launch new products.
4	Is there any procedure and measurement that implemented in your company for product launching?	<ul style="list-style-type: none"> • From six companies, only two have procedures for launching new products. • The others did not since launching a new product is being one of their job descriptions. • They just make a coordination meeting to give report and monitoring progress of each job. 	<ul style="list-style-type: none"> • Mostly saying need to implement the procedure and measurement to know and evaluate the performance on launching new products. • Budget and coordination between RA and marketing it's the problem in DPI, so their suggestion RA and Marketing who suit in charge in this process also training on product knowledge to make marketing confidence for offering the product.
5	Is there any incentive implement for product launching?	<ul style="list-style-type: none"> • None of the respondents have an incentive for launching new products, because product launch is considered as part of their daily job. • The only incentive is given to marketing once they achieve their sales target. 	<ul style="list-style-type: none"> ☑ None of incentive system implements in DPI now for launching new products. • But several respondents said that incentive is needed to motivate employee that has correlation with product launch to make it launching on schedule.
6	What key issues that happen in their companies when launching new product?	<ul style="list-style-type: none"> • Several problems from internal are prepared for a guest speaker for launch event, communication problem, work overload and miss coordination. 	☑ Communication and coordination are the key issue problem in DPI.
7	What are external and internal problems in launching new product?	<ul style="list-style-type: none"> • External problem is coming from the manufacture which is located outside Indonesia. • They faced miss coordination between forecast and realization to produce the product and mistaken in producing special packaging for Indonesia. • These mistakes prolong the shipment of the product and postpone launching. 	<ul style="list-style-type: none"> • Basically DPI doesn't find any problem with external or principal except communication regarding preparation of the product. • The communication problem has also come up internally. Others are about certainty information from RA regarding approval time. • Only to mention that new product is not suitable with existing products and make FF redundant to sell it. • A new mindset for FF is needed. • Two other people mention that they need an incentive or bigger money to launch new products.
8	What planning do you think as a solution in order to accelerate the process of launching this new product?	<ul style="list-style-type: none"> • All respondents mention the importance of coordination and communication as a key to faster product launch. 	<ul style="list-style-type: none"> • Eight respondents mention that DPI needs Person In Charge to control the information and coordinate before approval. • A mature planning as well as good procedure could be very helpful. • One person mentioned that DPI needs an open system, so each department that involve will able to get information easily. • The last respondent mentioned a good communication with key opinion leaders before launch is an important role.

From above the finding, we could see that most key problems come from internal DPI. These are the criteria:

1. Weak of communication and coordination.
2. No one appointed as person in charge for the whole process.
3. Absent of standard operating procedure.
4. Uncertainty time line for product approval from RA.

Purposed Solution

- **The first option** is the right person for this job is in marketing department either Product Manager or directly under Marketing Director Authorities.
- **The second option** is setting a special team to manage launching new products.
- **The third option** is setting a new marketing team that will carry this product.
- **The fourth option** is outsource this task to an independent team outside DPI.
- **The fifth option** is implemented reward and punishment for all employees that related to product launching.

There are several criteria that are suitable for determining the solution. These are the criteria:

1. **Cost.**
2. **Desirability or impact.**
3. **Feasibility or time.**

With these criteria and option we could make a matrix as described in table below and choose which one is the most appropriate and second option as a backup plan.

Table 3. Motivation Option Analysis

No	Description	Cost	Impact	Time	Analysis	
					Advantage	Disadvantage
1	Create standard operating procedures and select person in charge	+	+	+	• This option is the easiest to implement, low cost, give impact to every department immediately.	• Weakness just selects the right person to guard this project.
2	Special team for launching the product	+	0	+	• Similar to the first descriptions but making special team coming from internal employees. basic job description.	• It will not make any impact change since this new team will work based on their.
3	New marketing team	-	+	0	• The new marketing team will give big impact to another department.	• It will be very costly since the DPI need to hire new employees.
4	Outsource launching products	-	+	+	• Outsourcing will solve many problems.	• It is not easy to find the right team and very costly.
5	Reward and punishment	-	-	-		• The last option is not recommended at all since it will be very costly, not easy to implement and could give negative impact to the team.

Note:

+ : give very positive effect or desirable

0 : not make any changes

- : give negative effect or undesirable

RECOMMENDATION

SOP and PIC

Basically we need a certain time before registration approval so marketing could start their task earlier. If RA gives uncertain time, marketing could be late to start or too early ordering the product. A late start could make lost in sales from couples months and lost launch momentum. Too early process could make marketing too early order the product and the product could arrive at the airport without approval document ready. This situation will make the high cost of warehouse rent at the airport while waiting approval document ready.

Table 4. Flow Process of New Product Launch

Process	Pre-registration	Registration	Numbering and signing	Numbering and signing
Description	<ul style="list-style-type: none"> Collecting document from principal and transfer into BPOM format 	<ul style="list-style-type: none"> Submit document to BPOM. Collect additional document from principal based on BPOM 	<ul style="list-style-type: none"> Get number and sign from BPOM director 	<ul style="list-style-type: none"> DPI got registration document approved
Time	<ul style="list-style-type: none"> 6 months to 1 year depend on how fast principal give document and how fast RA staff transfer it. 	<ul style="list-style-type: none"> 2 years to 4 years depend on how complicated additional document and how fast principal supply 	<ul style="list-style-type: none"> 1 month to 3 months depend on BPOM staff viability. 	<ul style="list-style-type: none"> Once approved, the product could enter to Indonesia.
PIC	<ul style="list-style-type: none"> RA, principal 	<ul style="list-style-type: none"> RA, principal, BPOM 	<ul style="list-style-type: none"> RA, BPOM 	<ul style="list-style-type: none"> RA

If RA could give information regarding numbering phase, marketing could start their activities to launch new products. Activities that marketing could start are limited to activities that not related to importation product. Marketing could start designing promo material, preparing training material, make a marketing plan, contact key opinion leader to be a key speaker and prepare the launch event if needed. While other activities related to importation could be started after DPI got registration approval.

This SOP could be managed as a flow chart / decision tree in figure below:

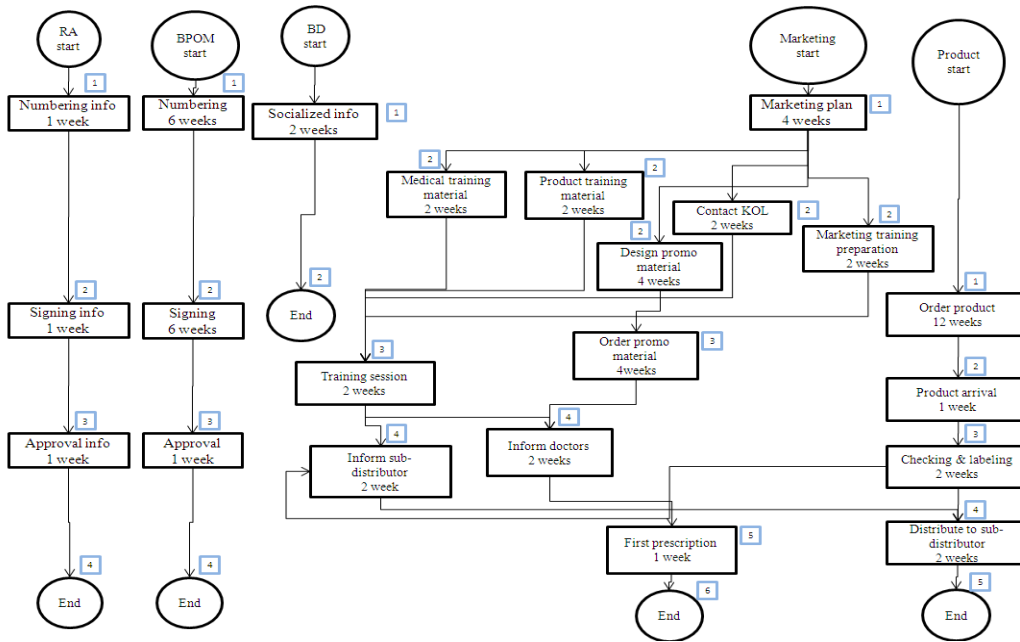


Figure 2. Decision Tree of SOP chart

Implementation

Full timeline to implement this SOP could be seen in figure below:

Table 5. Timeline SOP for New Product Launch

No	Activities	Time (Week)											
		January 2012				February 2012				March 2012			
		1	2	3	4	1	2	3	4	1	2	3	4
1	Finalized SOP	■											
2	Socialized to top management		■										
3	Correction if needed			■	■	■	■						
4	Final approval from top management					■	■						
5	Appoint PIC						■	■	■				
6	Write down to ISO system										■		
7	Socialized to all department										■		
8	Start implementation											■	

Managerial Implications

With this new SOP, working condition will be improved. If every department follows the SOP and time line then work condition will be more conducive than before. Lead by one PIC, all work will be united to achieve the goal without facing any big problem. The role of PIC is very important to coordinate all departments.

The silos barrier could be eliminated with this new SOP and PIC. Once gain, meeting coordination is one powerful tool to solve this problem.

Implement this SOP with time schedule will make launch new product faster than before. This new SOP gives time limit that needs to fulfill by each department. Once again the role of PIC to control the whole process on time is very important. Based on the timetable and SOP, PIC could request and put pressure on each department to be on time on their task.

Faster entering market will give DPI faster revenue. The new SOP will give 3 months faster compare to the old one. Saving time about 3 months will give about 3 months bigger revenue for the running years. As we could understand, having new product needs some money to invest. Money investments are for registration fee, BD and RA expenses, buy the products if this new product has to pay in advance

and cost of money if we put our money in the bank. Faster revenue will give faster cash back for DPI's expense. After looking at the real problem, we found that implementation BSC and KPI are no longer suitable for this project. The main problem is about managing and coordination between departments.

Future Studies

After implementation several times, then DPI needs to evaluate whether this new SOP becomes handy or not. If not then DPI has to evaluate again where the mistake is. Maybe DPI needs to modify the SOP or choose another PIC.

To monitor and to make this SOP easier to manage, IT support is needed. Several programs are ready to market such as Project Management from Microsoft or Open Project as a freeware. After this SOP well accepted and proven that no more bugs, it's time to improve this new SOP with BSC. First DPI needs to set KPI for each individual that involve in launch new product project. Then with this KPI, DPI builds a strategic map and balances it in four perspectives.

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