

# DEVELOPING THE CONCEPTUAL MODEL TO STUDY VALUE DISCIPLINE, ORGANISATION PERFORMANCE AND COMPETITIVE ADVANTAGE IN PHARMACEUTICAL COMPANIES

Debasis Bharadwaj<sup>1</sup>, Ayesha Farooq<sup>1</sup>, Dr. Asif Akhtar<sup>1</sup>, Biranchi N Jena<sup>2</sup>

<sup>1</sup>FMS, Aligarh Muslim University, Aligarh, Uttar Pradesh, India

<sup>2</sup>Symbiosis Institute of Health Sciences, India

Correspondence: Debasis Bharadwaj, Aligarh Muslim University, Aligarh, Uttar Pradesh, India.

## Abstract

*Various researches have been conducted to analyze the importance of market strategies and their relationship with different dimensions. However, it is essential to evaluate these values and relationships in the context of pharmaceutical organizations, which has emerged out as a strong business organization in health sector. Moreover, there is a need to identify these influences on obesity-management products that form an important product line of pharmaceutical market. Therefore, this research utilizes a secondary qualitative research method through which numerous works of renowned scholars have been taken into account. The findings indicate that there is a confound influence of value disciplines in regulating competitive advantage and organizational performance of pharmaceutical obesity-management products. Nonetheless, these research findings are limited due to its research designs and data collection source.*

**Keywords:-** Value discipline models, competitive advantage, organizational performance, operational excellence, product leadership, customer intimacy, obesity-management products.

## 1. INTRODUCTION

In light of current rapid-growing market, it is essential for the big-scale organizations to identify such values that may help the firm to grow and expand, all the while, making useful attempts at uplifting its products' quality and prominence (Armstrong, Kotler, Harker & Brennan, 2015).

To further elaborate these strategies, Treacy and Wiersema (1993), presented value discipline model that comprises of three prominent elements of marketing strategy namely, Operational Excellence, Customer Intimacy, and Product Leadership. Through the incorporation of any one of these techniques, an organization may establish itself as a market leader by strengthening its position as a competitive source.

However, to uplift its market position, the three value disciplines are found to have impactful associations with competitive advantage and organizational performance, as they design the fate of organization's development. With the help of customer-oriented quality products, an organization automatically proceeds towards competitive advantage which further leads it towards organizational performance. Wagner III and Hollenbeck (2014) describe this competitive advantage as an organization's special field of expertise that cannot be matched by any other organization. These abilities of an organization eventually decide the nature and intensity of organizational performance, and thus serves as an integral factor for the expansion of business' market value (Gomez-Mejia, Berrone, & Franco-Santos, 2014).

With reference to these values and its dimensions, pharmaceutical organizations have emerged out as a strong business sector that pays huge importance to the customer demands by obliging to the discipline values. The growing market trend for these organizations has further resulted in a firm positioning of the industry in the concerned sector, which is evident from a report, according to which, the year 2014 accumulated a global revenue of over one trillion US Dollars from the pharmaceutical market (Walsh, 2014). One of the important product line for these pharmaceutical industries has emerged out in the area of obesity and weight-loss products, based on huge customer demands and the weight-loss

market segmentation. This is evident from a report by Cawley and Meyerhoefer (2012), which implies the value of global weight-loss management market as 265 billion US dollars, as of the year 2012, which has substantially increased in the later years due to the implications of consequent life-threatening diseases.

This work therefore aims to evaluate the value disciplines model and its associated impact on competitive advantage and organizational performance, in the light of previous literature and contemporary researches. Moreover, it tends to assess the influence of these competitive strategies in terms of pharmaceutical organizations by incorporating appropriate research method, with respect to obesity-management products. Finally, it shall present the outcome of the entire study, along with the recommendations, as per the literature.

### **Study Objectives**

The basic purpose of the study is to;

- demonstrate the different concept of value disciplines in a pharmaceutical organization,
- evaluate the various dimensions of value disciplines, as described in the literature, in association with competitive advantage and organizational performance, and to
- Understand the conceptual model by the utilization of secondary data for the investigation of these impacts, in relation to obesity-management products of the pharmaceutical organization.

### **Concept of Value Discipline Model**

With the motive of presenting a set of strategic marketing plan, Treacy and Wiersema (1993) formulated a value discipline model according to which, an organization can uplift its market value by promoting any one of its strategy while giving equal consideration to the other two postulates. The concept of this model revolves around the attempts to make an organization a market leader, by aligning the quality of its products or services as per the business demands and performance of competitive organizations. Formerly, the operation of organizations followed a simple agenda that worked on customer's preferences, which was restricted to the product's cost and quality.

This can be seen in the case of pharmaceutical organizations who were previously concerned solely with a limited area of prescribed drugs that offered its services within an affordable customer's range. However, in the contemporary business market, these operational values have shifted to an advanced level, where the product dimensions have expanded to different fields of customer needs, quality service, and leadership among all the other similar products. Thus, an organization is entitled to comply with any one strategy as described in the value discipline model.

### **Operational Excellence**

This market leadership strategy comprises of a balanced value that tend to target a minimum cost for its products, which are easily accessible to the customers. This approach lets an organization to follow a straight path to leadership, without indulging into the deep specifications of customer desires and quality of product services (Treacy&Wiersema, 1993). It is more concerned with the practical leadership approach through which an organization may facilitate its business revenue by incorporating competitive costs and reducing risks to customers' inaccessibility.

Within the context of pharmaceutical organizations, operational excellence has emerged out as a prominent strategy, since there has been a sudden surge in the drug costs during the recent years. Most of the high-prescription drugs are standardized to such huge prices that they seep out of the reach of general population, which resultantly inhibits the product sale and finally poses severe decrease to the organization's market value. Similarly, an easy availability of prescribed pharmaceutical products ensures a hassle-free product sale which relaxes customers and increases their loyalty to the product.

### **Product Leadership**

This strategy is concerned with the innovation of products that are unique in their categories and stresses upon the need to evolve unique product lines among the market of other products. This approach enables the organization to concentrate upon its products by incorporating three basic steps. The first step is to exhibit newer ideas regarding product services and introduction of such services that are unmatched to any of its competitors. The next step is to evolve such techniques that promote the newly introduced products among the masses by commercializing or advertising it in a larger area. This requires specialized management strategies that uplift the sale of product by making the users recognize the new product line. The last step is to continuously induce newer modifications to the product that enable the organization to regulate its operation as per the modern developments.

Pharmaceutical organizations utilize this strategy efficiently through which medical advancements are constantly revised and beneficial products are introduced into the health care market. Furthermore, since health care is regarded as a critical field, it is imperative for the pharmaceuticals to evolve such techniques through which efficient medical care services and products can be ensured to the masses. These product leadership qualities directly influence the organization to establish its higher market value and retain this leadership among its competitors.

### **Customer Intimacy**

A contemporary approach to business market strategy is concerned with the customer intimacy measures that strives to acknowledge customer demands and further design its product and market, in accordance with the larger population's needs. This approach involves certain expensive processes, however, it enables the organization to formulate customized services that directly targets the customers. This is an efficient strategy to establish loyal customer pool and further helps in retaining these customers through the acknowledgement of their demands.

In terms of pharmaceutical organizations, this strategy influences the market value by introducing pharmaceutical products that are in accordance with the customers' need. In the health care sector, emphasis is naturally put on the demands of customers that operate according to the population's health needs. For this purpose, customer intimacy allows the organization to evolve products and services that follow subjective needs.



Treacy and Wiersema Value Discipline Model (1993)

### **Value Discipline Dimensions**

The practice of value discipline strategies revolves around various dimensions within an organization and implicates enormous effect upon the market leadership of the organization. The two most prominent dimensions in this regard that are directly associated with value disciplines are; Competitive advantage and Organizational Performance.

### **Competitive Advantage**

One of the critical aspect of organizations is concerned with the competitive advantage (CA) which was described by Barney (2014) as a state of organization that elevates it to a higher level among its competitors due to its quality products and services. He further described its sub-dimensions as value, rareness, imitability, and substitutability. In terms of modern business market, Porter (2014) regards CA as the central element of an organization that drives its progress at an increased pace among its competitors.

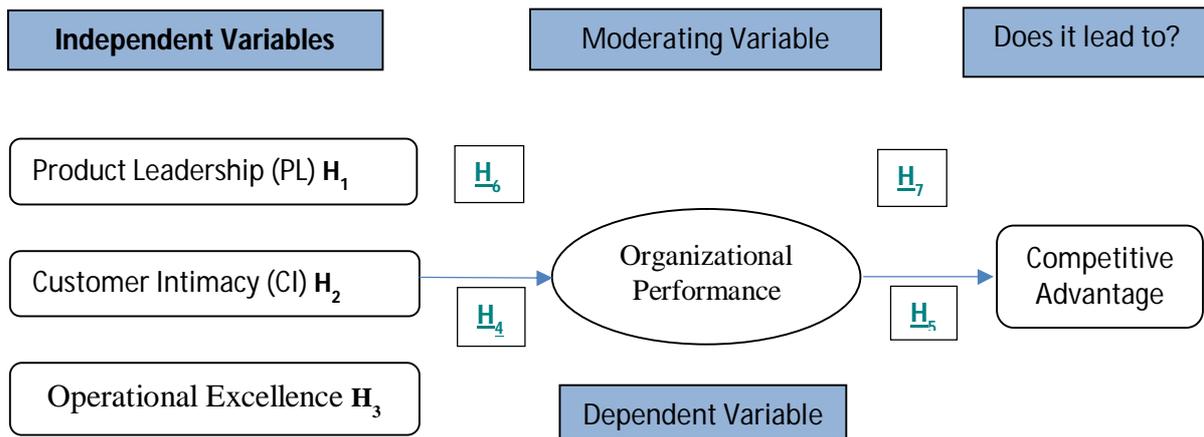
In relation to operational excellence, numerous researchers have identified a direct proportional relationship between CA and operational excellence. Mahdi and Almsafir (2014) found out that low-costs and easy access of products are major influencers that grants competitive advantage to the organization. In the context of product leadership, CA originates when an organization introduces an innovative product that stands as a pioneer in the specific product line. Davey and Sanders (2012) made a successful attempt at identifying this relationship and found out that product leadership positively influences competitive advantage of an organization. Lastly, customer intimacy has also been proved to have a strong association with CA as according to Brock and Zhou (2012), it is essential for an organization to recognize customer demands through which competitive advantage is induced into an organization.

### **Organizational Performance**

The aspect of an organization that is concerned with the nature of its development, is regulated by Organizational Performance (OP) that is explained by Kasemsap (2014) as an integral element of an organization that demonstrates the values that are essential for its progress. Its sub-dimensions are identified as low-cost value, quality, flexibility, and speed of product's deliverance. On the other hand, Baker and Sinkula (2015) regards OP as the ratio between expected outcome and the actual outcome of an organization.

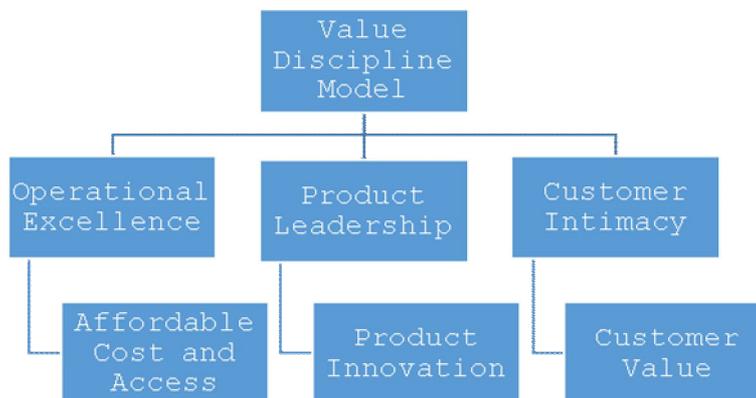
Operational Excellence and OP are found to be in strong direct association as offered by Sparrow and Cooper (2014) and various other researchers. However, in the previous studies, no such relation was found to be effective in former business markets. Product Leadership has evolved as a prominent factor that increases OP as every organization is entitled to the basic strategy of introduction of innovative products which naturally uplifts its performance in the market (Christiansen, 2015). In terms of customer intimacy, there are several evidences that prove its positive association with OP as explained by Brock and Zhou (2012), who emphasize upon the value of this relationship in big-scale organizations.

**Conceptual Model**



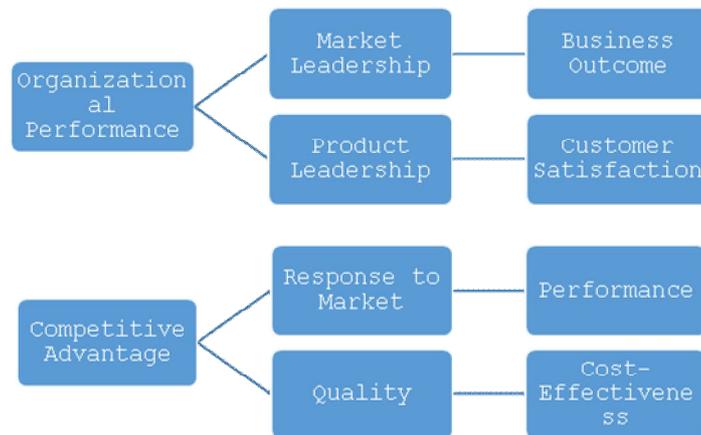
The initial concept for the model was structured along the entire business market, in relation to influence of value disciplines with its dimensions. However, in view of the multi-directional perspectives that arise from it, a more precise approach was adopted in the form of targeting a specific segment of market. To cater to this research pattern, pharmaceutical organizations emerged as an area that demanded a prominent value due to its association with healthcare sector. Moreover, due to the wide range of healthcare issues and their concerned pharmaceutical products, this research design directed its focus towards a specific product line. After an extensive probe into studies, obesity surfaced as a prevalent medical deformity that inflicted a major global population. Therefore, after a well-researched consideration, it was decided to evaluate the relation of value discipline model with competitive advantage and organizational performance, in pharmaceutical organizations with respect to obesity-management products.

Thus, in light of literature present on value disciplines, operational excellence is described as provision of product with low costs and easy accessibility (Basu, 2004), product leadership as introduction of unique products within the market (Cooper, 2005), and customer intimacy as valuing customer demands and needs (Christopher, 1996). These variables and sub-variables can be comprehended through this pictorial representation:



**Variables and Sub-Variables**

In addition to this, the entire design of this research follows the following dimensions:



Instrumental Design

**Research Methodology**

To assess the value disciplines and their relationship with competitive advantage and organizational performance, in terms of pharmaceutical organizations and their product lines in obesity-management, this study utilizes qualitative research method, along with secondary data.

**Literature Review**

In the light of constantly-shifting business market, numerous researchers have made attempts to assess the nature of relationship that forms between value disciplines and its relevant dimensions of competitive advantage and organizational performance. Few of these studies are presented below in a summarized form:

**Table 1. Literature Review**

Variables	Researchers & Year	Literature
Operational excellence & organizational performance	Jeong, Kim & Yoon, 2014	Demonstrated the importance of Customer Relationship Management (CRM), along with affordable cost and access in the context of organization’s performance and quality of care
Product leadership and organizational performance	García-Morales, Lloréns-Montes & Verdú-Jover, 2008	Showed the impact of innovative products on the organizational performance
Customer intimacy & organizational performance	Mckeen, Zack & Singh, 2006	Showed the direct influence of customer value and retention on organizational performance
Operational excellence & competitive advantage	Kaplan & Norton, 2008	Asserted the relationship between low-costs and competitive advantage
Product leadership & competitive advantage	Atalay et al. 2013	Showed the positive relationship of product innovation and competitive advantage
Customer intimacy & competitive advantage	Hoque & James, 2000	Stressed upon the positive relationship between customer value competitive advantage

However, with reference to research methodology, Creswell (2013) examined the different implications of methods that interferes with the outcome of study and acts as a major role-player in the result of research. Therefore, he regarded qualitative method as the simplest procedure to deal with a study that utilizes secondary data.

## **2. Discussion**

As per the findings of this study and a review of previous literature, different nature of relationships has been found between value disciplines and Competitive Advantage and Organizational Performance. Prajogo and Hong (2008) discovered the positive relationship between operational excellence and OP which lies on the basis of Research and Development (R&D) of an organization, along with the strong association of affordable costs and an easy availability with market leadership and business outcome. Similar evidence is found in terms of product leadership as demonstrated by Bititci (2016) who asserts that the ability of an organization to present a product that leads its market with innovative qualities, enables it to deliver optimum performance with customer satisfaction. On the other hand, the relationship between customer intimacy and OP was described by Brock and Zhou (2012), who stress upon the importance of recognizing customer's demands, and regards the basis of organization's performance on its tendency to live up to clients' expectation through an elevated business performance.

On a similar pattern, Sutton (2012) showed an effective association between operational excellence and CA, and stressed upon the importance of this strategic model in pharmaceutical organizations. He demonstrated an idea according to which, pharmaceutical firms have an edge to their performance in terms of their cost-effective and easy access of products which enable them to perform effectively. Moreover, Vinayal et al. (2012) described the impact of product leadership on CA by focusing upon its four sub-dimensions that help the firm to progress and form a strong competition in market by introducing innovative products. Lastly, Osarenkhoe (2008) found a similar relationship between customer intimacy and CA in pharmaceutical organizations, as per which, a business organization may elevate its market response by incorporating customer retention and customer value techniques.

However, it is essential to acknowledge that these findings serve to provide certain similarities and dissimilarities between Treacy and Wiersema model and the aforementioned conceptual model. Few of these similar bases include

- influence of value disciplines on market leadership, and
- interconnection between all the dimensions and their sub-dimensions.
- Whereas, certain dissimilarities may be described as
- relation between value disciplines and OP and CA, and
- availability of sub-variables within the disciplines.

Thus, it is evident from these empirical researches that an organization relies largely on value disciplines in terms of their OP and CA, by forming an integration between these variables and sub-variables, which enables them to uplift their business performance and make them as market leaders.

## **Limitations and Recommendations**

This study was limited due to the choice of secondary qualitative research method which may have influenced its outcomes. Thus, it is recommended to incorporate a primary method through which data may be collected on first-hand basis. Moreover, a quantitative method may provide a statistical representation of data which helps in the scientific understanding of data (Davies & Hughes, 2014). In addition to this, due to lack of studies on pharmaceutical organizations, this research utilized studies that concerned all the business firms. Therefore, for future studies, a precise probe may be induced that focuses only on studies on pharmaceutical firms.

## **3. CONCLUSION**

Through a deep study of the relationship between value disciplines and competitive advantage and organizational performance, it is evident that these variables and their sub-variables render positive influence on pharmaceutical organizations, as per their obesity-management products. Thus, it is necessary for these organizations to evolve any one marketing strategy so that it may emerge as a strong market leader.

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