
Knowledge Management Exam

Value Network Analysis – JGL Case

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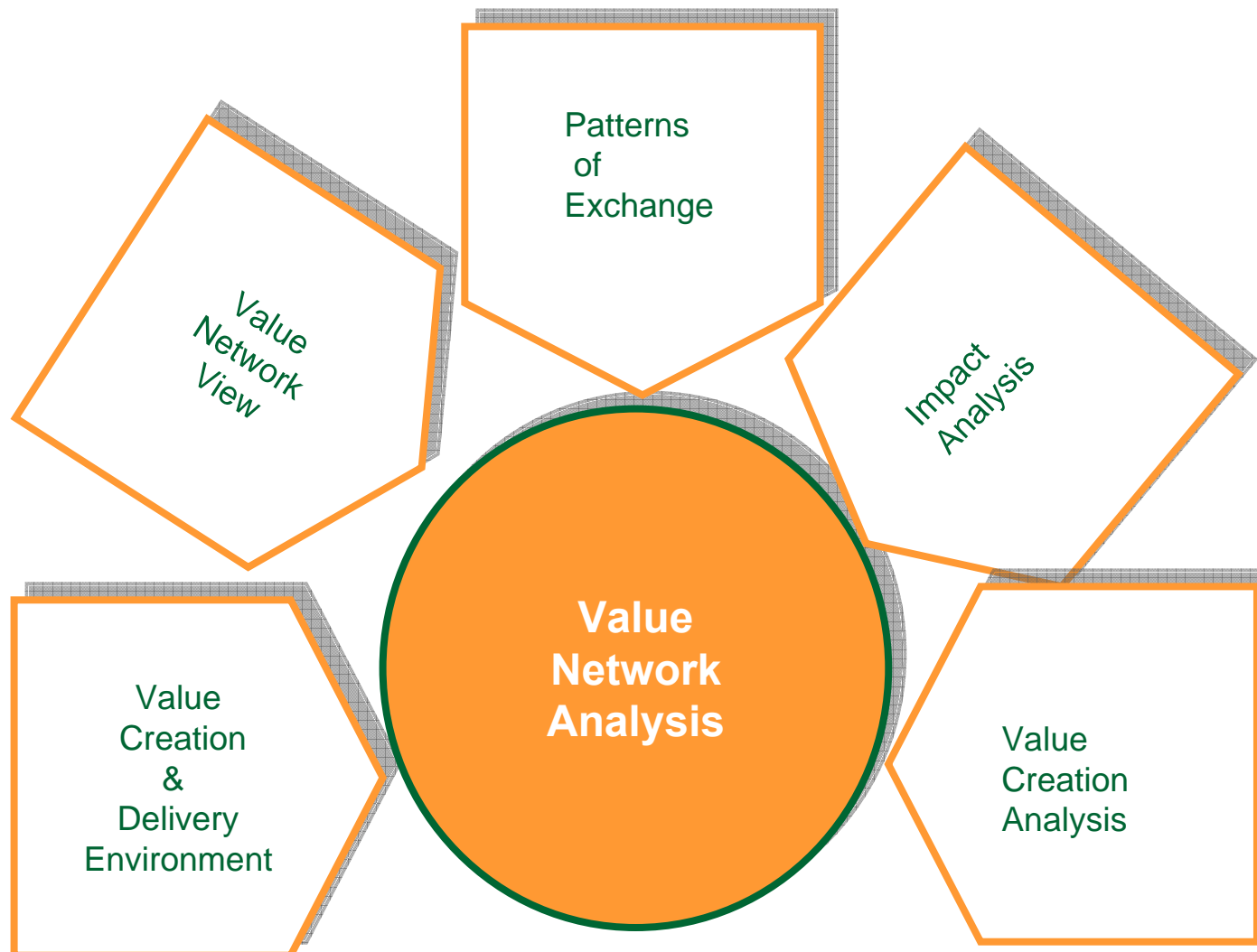
Introduction

This Value Network Analysis case is related to the value creation and delivery environment of the Croatian pharmaceutical company - **Jadran Galenic Laboratory (JGL)**, located in the city of Rijeka. JGL is a mid-size and flexible pharmaceutical company that has emerged from the foundation of a pharmacy organization Pharmacy "JADRAN" Rijeka. Founded in 1991, as the first and the only completely privatized pharmaceutical stockholder company in Croatia, the company's move from the central laboratory to a strong and growing pharmaceutical company can be attributed to its continual strategic expansion of new product lines. 1991 year was also marked by the first registered drug, with Carbo Medicinalis who soon made it a household name in Croatia, after which the company was set out to exploit available and profitable generic drug niches on the Croatian market.

Continuing in its endeavor to improve people's health, JGL allocates a substantial percentage of its total revenue into research and development. The company recently opened a new production site in a modern environment that entirely complies to Good Manufacturing Practice (GMP) standards aimed at manufacturing sterile liquid dosage forms – including the packing department and storage facilities. Thanks to its product quality and dynamic marketing approach, the company has, in a relatively short time span, succeeded to establish and to maintain reliable working relationships with a wide specter of customers.

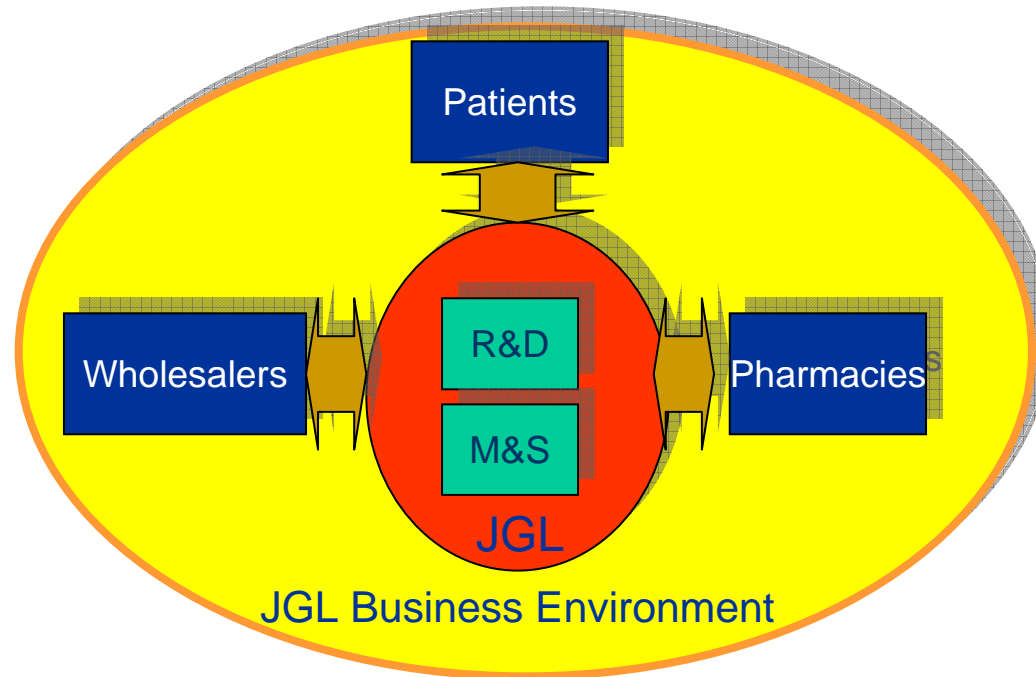
The company is now proud to offer some 160 products under its own trademark as well as under other private trademarks. Today, after 15 years on the market, Jadran Galenic Laboratory has transformed into an agile, market-oriented pharmaceutical company of around 270 employees out of which 35% is a highly specialized cadre. According to its own estimate, the company holds 2,5% share of the Croatian market and is the third indigenous manufacturer in the country. The total revenue growth rate for the last eight years of about 30% per annum makes the company one of the fastest growing and one of the most stable in Croatia.

Value Network Analysis Flow

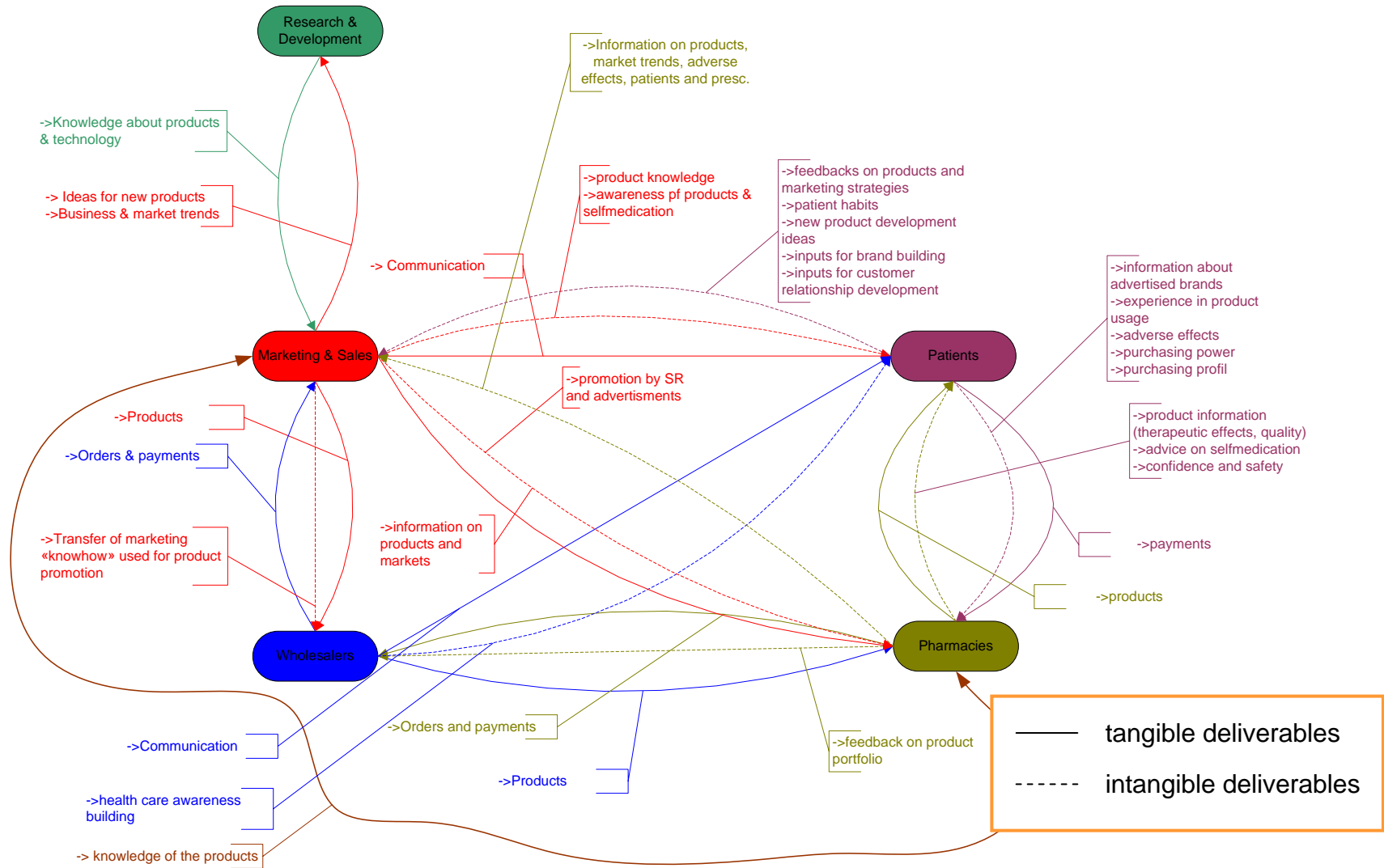


Value Creation Environment

The main purpose of each enterprise is to create and deliver value in the certain business and social environment. In the case of JGL this environment is represented by the following five subjects: Research & Development, Marketing & Sales, Wholesalers, Pharmacies and Patients. The first two are part of the JGL organization, while the remaining three reside outside JGL organization as shown on the Figure below. During the value creation and delivery there is a number of different interactions between those subjects that could be described through Value Network interactions.



Value Network View



Value Network Analysis

Patterns of Exchange

Analysis of **Patterns of Exchange** leads to the conclusion that JGL Value Network System is healthy, sustainable and expanding due to the following reasons:

- Coherent logic and flow of the value through the system
 - Healthy exchanges of both tangibles and intangibles with a slight dominance of intangibles
 - Fair returns between subjects
 - No missing or “dead” links – each link has its beginning and end with valuable relationships established
 - Whole system is being optimized – all participants are sharing approximately equal benefits from networking
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Value Network Analysis

Impact Analysis – M&S Perspective

		What activities does the input generate?	Does it have positive or negative impact on costs and tangibles?	Does it have positive or negative impact on intangible assets?	What is the overall costs / risk for this input?	What is the overall benefit for this input?
WHAT WE RECEIVE	COMES FROM	ACTIVITIES	TANGIBLE IMPACT	INTANGIBLES IMPACT	COST / RISK	BENEFIT
Knowledge about products	R&D	Brainstorming for new ideas	Requires improving developing process effectiveness	Increases our knowledge about products	LOW	MEDIUM
Feedback about products, marketing strategies, customers' habits	Patients	Meetings, discussions	Requires handling marketing strategies, improving marketing information system, handling products in their PLC	Increases our knowledge about <ul style="list-style-type: none"> - products - customer - marketing strategies 	HIGH	HIGH
Ideas for new product development	Patients	Meetings, discussions	Requires improving time-to-market	Increases our knowledge about products	MEDIUM	HIGH
Knowledge for building brands	Patients	Further education	Requires improving branding	Increases our knowledge about brands Enhances company image	HIGH	HIGH
Knowledge for improving LTV of customers	Patients	Further education	Requires improving managing the customers (CRM system)	Increases our knowledge about customers Enhances company image	HIGH	HIGH
Information of products, market trends, adverse effects,	Pharmacies	Meetings, discussions	Requires improving managing the customers (CRM	Increases our knowledge about distribution system	LOW	HIGH

Value Network Analysis

Value Creation Analysis – M&S Perspective

What do we do to add value to this output?				
WHAT WE PROVIDE	GOES TO	VALUE ENHANCEMENTS OR VALUE ADDED	COST / RISK	BENEFIT
Ideas for new products, market trends	R&D	- we should formalize and improve communication channel with R&D	Risk – HIGH	HIGH
		- we should improve process of new product development	Risk - HIGH	HIGH
Knowledge of the products	Patients	new communication channels (Internet, direct mailing, hot-line)	Cost – HIGH	HIGH
Building brand awareness of products and selfmedication	Patients	new communication channels (above mentioned + educational lectures and conferences)	Cost – MEDIUM	HIGH
Communication	Patients	- advertising - bellow the line and on-the line (POS, Internet, leaflets, samples,...)	Cost – HIGH; Risk - HIGH	Low – Medium – High: depends on budget and effectiveness!
Promotion by sales reps and advertisement	Pharmacies	- promotion by sales reps - promotion by advertising	Cost – HIGH	Benefit – LOW to MEDIUM: it should be improved
		effectively driven campaigns: good segmentation, targeting and message management	Cost - HIGH	HIGH!
Information of products and markets	Pharmacies	- improving publicity of the company - improving our relationships with pharmacies (we must be closer to the pharmacists and be their frends!)	Risk – HIGH	Long term: HIGH
Transfer of marketing knowledge that can be used to promote our products	Wholesalers	- key account management	Cost – LOW	Benefit – MEDIUM
		further education, iimproving relationships, improving communication channels (message management, e-portals)	Cost - MEDIUM	Benefit – HIGH
Products	Wholesalers	standardization of transport packaging	Cost – LOW	Benefit - MEDIUM

Conclusion

Value Creation in the JGL business environment could be improved by improving the way of sharing of information. This means that procedures, standards of reporting should be on the higher level. One of the practical ways forward is development of the specific databases and active usage and promotion of collaboration tools. However the most important part is related to the motivated & skilled people capable to work in the system with the structured information exchange set-up.

In the **Impact Analysis** it has been found that although benefits of some inputs are evaluated as “high”, they are still not meeting those expectations in the everyday M&S business operations. Therefore preventive and corrective actions are needed in order to increase the quality of absorption of available information through higher level of structuring and analysis.

In the **Value Creation Analysis** it has been identified that M&S plays a central role in the value creation process. In that way, the recommendation is that the first set of improvements should address value interactions related to this organizational entity.