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"Does Organizational Culture Influence the Ethical Behavior in the Pharmaceutical Industry?"

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ABSTRACT

Study of ethical behavior among medical representatives in the profession is an under-portrayed component that deserves further perusal in the pharmaceutical industry. The purpose of this study is to find out the influence of organizational culture on ethical behavior of medical representatives. Medical representatives working for both domestic and multinational companies constitutes the sample (n=300). Data is collected using a simple random and cluster sampling through a structured questionnaire. The research design is hypothesis testing. It is a cross-sectional and correlational study, conducted under non-contrived settings. Chi-square tests were shows that there is an association between the organizational culture and ethical behavior of medical representatives. In addition, the strength of the association is measured which report to Cramer's V of 63.1% and Phi Value of 2.749. Results indicate that multinational company medical reps are more ethical compared to domestic company medical representatives vast difference in both variance and in t test results. Through better organizational culture, pharmaceutical companies can create the most desirable behavior among their employees. Authors conclude that apart from organizational culture, the study of additional organizational, individual and external factors are imperative for better understanding of ethical behavior of medical representatives in the pharmaceutical industry in India.

KEY WORDS

Medical representatives, ethical behavior, organizational culture.

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INTRODUCTION

The scandals in the pharmaceutical companies around the world are rising at an alarming level. There are adequate numbers of scandals in the pharmaceutical industry in India too. To name a few in 2010, drug inspectors in India confiscated spurious and forged drugs across various retail drug stores and identified a series of drug stores linked to this racket. In addition to this, the drug control department tracked down on a drug manufacturer and drug dealer and charged several cases including label tampering [1]. These unethical practices in the Indian pharmaceutical industry have become rampant and getting the attention of media. Outdated regulations, cut throat competition, irresponsible promotion of pharmaceutical products, and unethical professional relationship between pharmaceutical company professional and medical fraternities are some of the fundamental reasons for unethical practices. All these factors may lead to irrational or unwanted use of drugs by doctors, which ultimately lead to an unaffordable drug therapy for the poor patients [2]. Many of the pharmaceutical companies and their personnel market their products by irresponsible means. According to a Drugs, Doctors and Dinners (2007) a Consumer International study, "It is estimated that up to 50% of medicines in developing countries (like India) are incongruously promoted, prescribed, dispensed and sold. The cost of promotional expenditure including the cost of gifts to physicians is ultimately borne by patients and health insurers in the form of higher prescription drug prices". During the promotion of these products, doctors are considered the most important personnel. Influencing these doctors by the medical representatives is the key to achieve their sales targets. Research states that in developing countries doctors count on the medical representatives as a frequent source of information to keep their knowledge abreast on the developing trends in the pharmaceuticals [3]. In addition to this, currently, the regulatory authority in India has established norms in the areas of compliance of labels, formulations, packaging and distribution of the medicinal products. There are no stringent laws that regulate direct–to-consumer (DTC) advertisements or marketing to the doctors through various media [4,5]. Mr. Amitava Guha (Joint General Secretary, Federation of Medical Representatives Association of India) says that there is only a Magic Remedies Act 1954, which has only one relevant clause number four 'on misleading advertisements but there is no code on pharmaceutical promotional practices that is suitable for India even today [6]. It is also commented that while IDMA and OPPI have a code of ethics on books for registering and examining complaints, many companies continue to swivel these norms on these marketing practices [7]. Significant number of companies follows their own norms and hardly any follow the codes by professional bodies like IDMA (Indian Drug Manufacturers Association), OPPI (Organization of Pharmaceutical Producers of India) or IFPMA (International Federation of Pharmaceutical Manufacturers Association) [4]. Some of the other reasons that cause unethical behavior of pharmaceutical companies are weak code of ethics in the company, fallible or untrained medical representatives, huge number of medical representatives without the proper product knowledge, and forceful competition among the domestic and multinational pharmaceutical companies are significant. However, there is no specific study to estimate or evaluate the factors influencing ethical behavior of medical representatives. In spite of various variables that exert an influence on the ethical behavior of medical representatives, this study focuses on influence of organizational culture especially the ethical climate, role of managers and their influence in the organization.

- To examine the relationship between organizational culture and ethical behavior of medical representatives in domestic and multinational pharmaceutical companies in India.

Based on the research objective, the following research question is formulated to study the influence of organizational structure on the ethical behavior of medical representatives in the Indian pharmaceutical industry.

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- Is there a significant difference in the ethical behavior among medical representatives in domestic and multinational pharmaceutical companies in India?

Numerous studies are available on the influence of organizational culture on ethical behavior of sales representatives. However, there are very few or no studies on the given topic in pharmaceutical industry especially in an Indian scenario. Hence, this study hypothesizes organizational culture exert influence on medical representatives in the pharmaceutical industry.

The organizational culture potentially exerts a strong influence on employees' ethical behavior [10,11]. The organizational culture, values and/or climate strongly affect individual ethical decision-making [11,12]. In the sales field, an organizational ethical climate is governed by rules and standards that provide a logical avenue for the salesperson to promote their products within the boundaries of ethics. Existence of companywide standards of ethical behavior enhances salespersons confidence on the management and the individual will behave ethically [13]. In contrast to this, there are doubts on the organizational ethical climate on the influence of employees' ethical behavior [9]. In addition to this, it is argued that though there is good organizational culture and managers input, its influence on the ethical behavior of employees is unconvincing [14]. Hence, this study hypothesizes the organizational culture and ethical behavior as,

H_0. There is no relationship between organizational culture and ethical behavior of medical representatives in the domestic and multinational pharmaceutical companies.

$$H_0: \alpha = \epsilon$$

where, α is organizational culture and ϵ is ethical behavior of medical representatives. Supported by Stead, E W et al., (1990); Schwartz, (2001).

H1.There is a significant relationship between organizational culture and ethical behavior of medical representatives in the domestic and multinational pharmaceutical companies.

$$H_1: \alpha > \epsilon$$

where,α is organizational culture and ϵ is ethical behavior of medical representatives. Supported by Trevino, (1986); Wortruba, (1990); Sean Valentine et al., (2002).

The need to study the influence of organizational culture on ethical behavior of medical representatives in pharmaceutical industry in India is imperative because, the organizational culture which by itself includes various facets such as physical settings and dress codes, special language, myths, rituals, heroes and stories. Organizational culture may vary according to the organization, even within the same industry. In this study, the measurement of organizational culture is quantified by the variables namely, ethical climate, role of managers and their communication. As the ethical behavior of the representatives is strongly influenced by ethical climate and manager's influence, it is important to study organizational culture influences on the ethical practices of medical representatives.

METHODOLOGY

It is a mixed method study. The qualitative part consists of obtaining directions and suggestions of the first line managers and senior medical representatives of the pharmaceutical marketing and sales field, through a Delphi technique. This helped to prepare the instruments for both organizational culture and ethical behavior of medical representatives. This study employs the use of hypothesis statistical testing and utilizes both descriptive and inferential statistics to test the hypothesis. Data is collected from the medical representatives through a structured questionnaire (n=300) by using simple random and cluster sampling. It is a correlation study and conducted in a non-contrived setting. The study mainly focused on the ethical behavior of medical representatives so the unit of analysis is an individual (medical representative). The data was collected only once in the study for a period of fifteen weeks through personal interviews from north, south coastal and central parts of Karnataka state, India. The scope of this research focuses on pharmaceutical industries and the products related to allopathic formulations. Data is analyzed using SPSS software version 18.0 [15].

Inclusion criteria:

Medical representatives working for domestic and multinational pharmaceutical companies in allopathic formulations with at least a year of experience was selected as study population.

Exclusion criteria:

Medical representatives working for domestic and multinational pharmaceutical companies in Ayurvedic and Homeopathic formulations were excluded from the study.

RESULTS

The population in this study is all medical representatives working in domestic and multinational companies in Karnataka State, India. The sample covers all parts of the state like north, south, and coastal areas. Major cities involved are Bangalore, Mysore, Mangalore, Tumkur, Davanagere, Hubli, Belgaum, Bellary and Manipal. Data is gathered through a structured questionnaire and personal visits.

Among the 300 respondents, 71% are males and 29.0% are females. Of 300, 50.3% are diploma holders, 43.0% degree and 6.7% of the respondents have master degree. 214 (71%) are working for India-based (domestic) pharmaceutical companies whereas 86 (29%) respondents are working for multinational companies.

The survey instruments such as organizational culture and ethical behavior of medical representatives are measured for their reliability. Organizational culture scale consists of 16 items. The correlation between the items is more than 0.9. Maximum scale mean if item deleted is 44.670 and maximum scale variance if item deleted is 66.997. The average Cronbach's Alpha value for the organizational culture variable is 0.744. The item, presenting reward gets the maximum Cronbach's Alpha value. The dependent variable (ethical behavior) scale consists of 12 items. There is a good correlation between the items. Maximum scale mean if item deleted is 33.513 and maximum scale variance if item deleted is 75.910. The average Cronbach's Alpha value for the ethical behavior scale variable is 0.916.

Table 1.0: Demographic description of medical representatives

Gender	Male	213	71.0
	Female	87	29.0
Education	Diploma	151	50.3
	Degree	129	43.0
	Master	20	6.7
Company type	Domestic	214	71.0
	Multinational	86	29.0

Table 2.0: Normality distribution of dependent and independent variables.

	Mean	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum
Ethical behavior	36.387	9.241	-0.129	-1.126	19	53
Organizational culture	47.380	7.771	-0.711	1.316	26	64

Table 3.0: Association testing between organizational culture and ethical behavior.

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2266.781	475	0.000
Likelihood Ratio	1045.409	475	0.000
Linear-by-Linear Association	50.939	1	0.000
Symmetric Measures		Value	Approx. Sig.
Phi		2.749	0.000
Cramer's V		0.631	0.000

Table 4.0: Opinion of domestic and multinational companies' medical representatives.

	Company type	N	Mean	Std. Deviation	Std. Error Mean
Organizational culture	Domestic	214	46.654	8.226	0.562
	Multinational	86	49.186	6.184	0.667
Ethical behavior	Domestic	214	33.164	8.558	0.585
	Multinational	86	44.407	5.063	0.546

Normality tests were carried out for both dependent and independent variables. In the table 2.0, all z values of skewness and kurtosis are within the range of -2.58 to +2.58. However, organizational culture shows a negative skewness of more than one (-0.711). This variable need not be transformed to natural log as it is close to standard one. Only abnormal skewness of two or three needs transformation [16]. Thus, it is evident that the variables have relatively normally distribution.

In the present study, data is collected from different segments in order to find out the influence of organizational culture on ethical behavior of medical representatives. In addition to this, data is collected from the right respondents (medical representatives). Content validity of the instrument carried out through a Delphi technique by interviewing the first line managers, regional managers and some senior medical representatives working in both domestic and multinational pharmaceutical industry in Bangalore, Karnataka, India. A pilot study using a sample of n=30, was also carried out to validate the instruments used in the present study.

The Chi-Square test result shows that the organizational culture is positively related to the ethical behavior of medical representatives as the significance level is 0.000. In addition to this, the Phi value (2.749) and the Cramer's V (63.1%) show the strength of the association between organizational culture and ethical behavior of medical representatives. Hence, it concluded definitely that organizational structure influences the ethical behavior of medical representatives. This result is also confirmed by [10,11,12].

In this study, the domestic company's medical representative's ethical behavior is compared with the multinational company's medical representative's ethical behavior by using independent sample t-test which compares the two means for their significant differences.

Ethical behavior mean score for medical reps working in multinational pharmaceutical companies is 44.407, and for medical reps working in domestic pharmaceutical companies are 33.164, which indicates multinational company medical reps are more ethical compared to domestic company medical representatives.

Table 5.0: Ethical behavior of medical representatives in domestic and multinational companies.

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
								Lower	Upper
Organizational culture	1.995	0.159	-2.576	298	0.010	-2.532	0.983	-4.466	-0.597
Ethical behavior	36.346	0.000	-11.401	298	0.000	-11.243	0.986	-13.184	-9.303

In the case of ethical behavior there is a vast difference in both variance and in t test results. The groups behavior is not only different but also there is a big gap between the two groups (mean difference is -11.243). This requires additional attention by some domestic pharmaceutical companies to adopt and adapt to the standards and guidelines of professional bodies like IFPMA or IDMA or OPPI. In addition to this the top level managers should be role models in following ethical principles in the promotion of pharmaceutical products.

In the case of organizational culture, the Levene's test shows a significance of 0.159 which shows in culture both the groups variances are similar and no difference. But in case of ethical behavior, representatives of multinational pharmaceutical companies have significant difference when compared to domestic pharmaceutical companies (p=0.000). Hence, based on the findings, the null hypothesis is rejected. It is concluded that there is a significant relationship between organizational culture and ethical behavior of medical representatives in both domestic and multinational companies in India.

CONCLUSION

An ethical organizational culture is imperative for any industry. In an ethical and strong organizational culture, standards and guidelines are known and shared by all the employees from top level managers to medical representatives, and provides a common direction for day-to-day behavior. If the organizational culture is weak or unethical, behavioral consistency among employees is difficult [17]. Through better organizational culture, pharmaceutical companies can create the most desirable behavior among their employees [18]. The research also support that in domestic pharmaceutical companies, medical representatives unethical actions may be explained by a lack of strict organizational mandates and influence of managers on unethical behaviors. In some of these domestic pharmaceutical companies, unethical behaviors by the subordinates (medical representatives) were either ignored or given tacit approval by their first line or regional managers as long as sales goals are met [19].

As nuclear generator plants and aviation are high-risk industries, chemical industry, and pharmaceutical industry are also high-risk industries. Nevertheless, the importance to the aviation accidents and the nuclear accident in the media masquerade the mistakes committed by pharmaceutical industry in India. This is largely may be because of the greediness of the pharmaceutical companies in making profits, ignorance among public, lack of powers to the drug controller department, weak regulatory system by the government, cut throat competition and last but not least is the corruption at all the levels from registration of the drug till the dispensing of drugs to the patients. However, this problem continues to exist and the society is suffering at large in many ways through irresponsible promotion of drugs by pharmaceutical companies which leads to irrational drug use by doctors. This problem finally leads to affordability of drugs to poor patients, availability of the right medication to patients. According to the literature reviews, organizational characteristic factors such as organizational culture, leadership style and the degree of leaders' involvement communication systems, and human resource management methods [20,21] could shape the successful implementation of ethics in the pharmaceutical industry. Hence, the author strongly recommends future studies should consider other organizational factors such as rewarding system, incentive scheme, ethics training and presence of code of ethics in the pharmaceutical industry. However, individual factors such as locus of control, achievement orientation, Machiavellianism, perception of individuals on marketing norms or regulations, job satisfaction etc. will be constructive variables in studying the ethical behavior. In addition to this, some external factors such as competition, influence of doctors, regulation system, political influence is also very important to consider.

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