

Swot analysis in pharmaceutical industry critique essay

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History of SWOT

In the 1960's and 70's, Albert Humphrey is said to have developed this strategic planning tool using data from the top companies in America at the time. A SWOT Analysis looks at the strengths, weaknesses, opportunities and threats that are relevant to an organization in a new venture. A SWOT Analysis is a tool which allows users to look at the direction a company or organization may wish to move towards in the future. A SWOT Analysis is a useful tool, which in conjunction with others can help make informed decisions.

Definition of SWOT

Many people see SWOT as synonymous with strategic planning. In fact, a SWOT analysis is only one of many tools that can be used in an organization's strategic planning process. SWOT is short for " Strengths, Weaknesses, Opportunities and Threats". By specifying clear objectives and identifying internal and external factors that are either helpful or not, a short and simple SWOT analysis is a useful resource which may be incorporated into an organizations strategic planning model.

- Strengths - Internal attributes those are helpful to the organization to achieving its objective
- Weaknesses - Internal attributes that are harmful to the organization to achieving its objective
- Opportunities - External factors that help the organization achieve its objective

- Threats - External factors those are harmful to the organization to achieving its objective.

After identifying the SWOT's, identification of the factors and their interdependence helps clarify the steps needed to achieve the ending objectives.

Internal and External Factors

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. SWOT analysis groups key pieces of information into two main categories:

- Internal factors - The strengths and weaknesses internal to the organization
- External factors - The opportunities and threats presented by the external environment.

The factors may include all of the 4P's; as well as personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. The results are often presented in the form of a matrix.

Purpose of SWOT Analysis

A SWOT analysis is designed to help an organization understand how it relates to its external environment. In other words, to act as a way of seeing if the organization is aligned with the world going on around it.

By focusing on the key factors affecting your business, now and in the future, a SWOT analysis provides a clear basis for examining your business performance and prospects. This briefing outlines:

- Typical strengths, weaknesses, opportunities and threats, and how to identify them.
- How to use SWOT analysis to drive your business forward.

Self-analysis

Use SWOT analysis as part of a regular process of reviewing your business performance.

You may also want to carry out a SWOT analysis in preparation for raising finance or before bringing in consultants to review your business.

Decide who to involve

- Key participants are likely to include the managing director and heads of department. Involving others will give a fuller picture and help to gain their commitment to the process. Find out what customers think using a customer satisfaction survey.
- Consider bringing in sympathetic outsiders who know your business and market (eg customers and suppliers).
- Many businesses find a consultant most useful for their first SWOT analysis.

Brainstorm the issues

- Ask everyone to identify any strengths or weaknesses they feel the business has, and any opportunities or threats they think the business faces.
- Encourage participants to make suggestions without trying to judge how important the issue is.
- Concentrate especially on identifying weaknesses and threats.
- Be aware that lack of honesty is a common problem. For example, most people find it easier to identify strengths and opportunities, particularly if the performance of key people (including yourself) is one of the weaknesses. You may want to use checklists to prompt further suggestions
- Organize related ideas into groups. Recording suggestions on Post-it notes or cards that can be moved around and rearranged makes this easy.
- Evaluate the significance of the issues that have been identified. To help you, use relevant data from your own and similar businesses.
- Update your conclusions from any previous SWOT analysis. For example, a strength may no longer exist (e. g. if last year's cutting edge product is now obsolete).
- Assess whether your strengths (or weaknesses) give your business a significant competitive advantage (or disadvantage). For example, your strong research and development programme is useless unless you have the resources to exploit the results. Do not be surprised if certain factors crop up as both a strength and a weakness.

Create a simple, clear action plan

There is no point holding a SWOT analysis if it does not result in action.

Set out what will be done to address weaknesses, capitalise on opportunities and deal with threats. This includes the steps to be taken, the personnel who will be involved, the timeframes and the budget. Involve key personnel in drawing up the action plan to get their commitment.

Keep the SWOT analysis and action plan to hand for review before important decisions

For example, as a reminder of what you should be looking for when recruiting a new employee.

Strengths

Your strengths are usually easy to identify, through your continuing dialogue with customers and suppliers. Your records (e. g. sales) will also help to indicate areas where you are particularly strong (e. g. rising sales for a Particular product). For most businesses, strengths will fall into four distinct categories.

Sound finances may give you advantages over your competitors. Important factors might include:

- Positive cash flow
- Growing turnover and profitability
- Skilled financial management, good credit control and few bad debts
- A strong balance sheet
- Access to extensive credit, a strong credit rating, and a good relationship with the bank and other sources of finance.

Marketing may be the key to your success. For example, your business may enjoy:

- Market leadership in a profitable niche
- A good reputation and a strong brand name
- An established customer base
- A strong product range.
- Effective research and development, use of design and innovation
- A skilled sales force
- Thorough after-sales service
- Protected intellectual property (eg registered designs, patented products).

Management and personnel skills and systems may provide equally important underpinnings for success. These may include factors such as:

- Management strength in depth
- The ability to make quick decisions
- Skilled employees, successful recruitment, and effective training and development
- Good motivation and morale
- Efficient administration.

Strengths in production may include the right premises and plant, and good sources of materials or sub assemblies. You may benefit from:

- Modern, low-cost production facilities
- Spare production capacity

- A good location
- Effective purchasing and good relationships with suppliers.

Be aware that strengths are not always what they seem. Strengths may imply weaknesses (for example, market leaders are often complacent and bureaucratic) and often imply threats (for example, your star salesman may be a strength — until he resigns).

Weaknesses

Your weaknesses are often known but ignored. A SWOT analysis should be the starting point for tackling underperformance in your business.

Poor financial management may result in situations where:

- Insufficient funds are available for investment in new plant or product development
- All available security, including personal assets and guarantees, is already pledged for existing borrowings
- Poor credit control leads to unpredictable cash flow.

Lack of marketing focus may lead to:

- Unresponsive attitudes to customer requirements
- A limited or outdated product range, complacency and a failure to innovate
- Over-reliance on a few customers.

Management and personnel weaknesses are often hard to recognize, except with hindsight. Familiar examples are:

- Failure to delegate and train successors

- Expertise and control locked up in a few key personnel
- Inability to take outside advice
- High staff turnover.

Inefficient production, premises and plant can undermine any business, however hard people work. Typical problems include:

- Poor location and shabby premises
- Outdated equipment, high cost production and low productivity
- Inefficient processes.

Opportunities

External changes provide opportunities that well managed businesses can turn to their advantage.

Changes involving organizations and individuals which directly affect your business may open up completely new possibilities. For example:

- Deterioration in a competitor's performance or the insolvency of a competitor
- Improved access to potential new customers and markets (e. g. overseas)
- Increased sales to existing customers, or new leads gained through them
- The development of new distribution channels (e. g. the Internet)
- Improved supply arrangements, such as just-in-time supply or outsourcing non-core activities
- The opportunity to recruit a key employee from a competitor

- The introduction of financial backers who are keen to fund expansion.

The broader business environment may shift in your favor. This may be caused by:

- Political, legislative or regulatory change. For example, a change in legislation that requires customers to purchase a product
- Economic trends. For example, falling interest rates reducing the cost of capital.
- Social developments. For example, demographic changes or changing consumer requirements leading to an increase in demand for your products
- Newtechnology. For example, new materials, processes and information technology.

Threats

Threats can be minor or can have the potential to destroy the business.

Compare both strengths and weaknesses by benchmarking key areas with those in other businesses.

Changes involving organizations and individuals that directly affect your business can have far-reaching effects. For example:

- Improved competitive products or the emergence of new competitors.
Loss of a significant customer
- Creeping over-reliance on one distributor or group of distributors
- Failure of suppliers to meet quality requirements
- Price rises from suppliers

- Key personnel leaving, perhaps with trade secrets
- Lenders reducing credit lines or increasing charges
- A rent review threatening to increase costs, or the expiry of a lease
- Legal action (e. g. being sued by a customer).

The broader business environment may alter to your disadvantage. This may be the result of:

- Political, legislative or regulatory change. For example, new regulation increasing your costs or requiring product redesign.
- Economic trends. For example, lower exchange rates reducing your income from overseas.
- Social developments. For example, consumer demands for ‘ environmentally-friendly’ products.
- New technology. For example, technology that makes your products obsolete or gives competitors an advantage.

Action

The results of SWOT analysis — and the action needed — will be different for every business.

Capitalize on opportunities that play to your strengths

Opportunities that match your strengths may prompt you to pursue a strategy of aggressive expansion.

The SWOT analysis may also suggest other strategic options. For example:

- Diversifying away from areas of significant threat to more promising opportunities

- Focusing on turning around weaknesses in areas of significant opportunity
- Taking defensive measures in areas of threat where you are weak.

Address your weaknesses

Decide which weaknesses need to be addressed as a priority. Other weaknesses must be acknowledged and respected until time and resources allow a solution.

- Some weaknesses can be turned into strengths or opportunities. For example, it might be possible to turn a shortage of production capacity into scarcity value for your product.
- Some weaknesses have a clear solution. For example, financial weakness might be solved by raising further funds and management shortcomings by recruiting new personnel.
- Some weaknesses will take time and money to address. For example, you may need to start a programme of improvements through training, or quality management.

Protect yourself against threats

For example:

- Build relationships with suppliers and customers
- Foster good employee relations. Ensure you have clear and reasonable contracts with suppliers, customers and employees
- Take out insurance cover against obvious potential disasters
- Draw up realistic contingency plans to cope with potential crises
- Introduce the right types of service contracts for key personnel

- Invest in legal protection for your intellectual property
- Take advantage of low fixed interest rates to move your overdraft to long-term loans. Successful businesses focus on capturing market niches and creating ‘barriers to entry’ to reduce potential competition.

Indian Pharmacy Industry: SWOT analysis

It is often said that the pharmacy sector has no cyclical factor attached to it. Irrespective of whether the economy is in a downturn or in an upturn, the general belief is that demand for drugs is likely to grow steadily over the long-term. True in some sense. But are there risks? This article gives a perspective of the Indian pharmacy industry by carrying out a SWOT analysis (Strength, Weakness, Opportunity, and Threat). Before we start the analysis let's look a little back in the industry's last six years performance. The Industry is a largely fragmented and highly competitive with a large number of players having interest in it.

The following chart shows the breakup of the growth (YoY) Indian pharmaceutical industry in last six years. *Volume growth of existing products The SWOT analysis of the industry reveals the position of the Indian pharmacy industry in respect to its internal and external environment.

Strengths

- Indian with a population of over a billion is a largely untapped market. In fact the penetration of modern medicine is less than 30% in India. To put things in perspective, per capita expenditure on healthcare in India is US\$ 93 while the same for countries like Brazil is US\$ 453 and Malaysia US\$189.

- The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural centers. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets.
- Indian manufacturers are one of the lowest cost producers of drugs in the world. With a scalable labor force, Indian manufactures can produce drugs at 40% to 50% of the cost to the rest of the world. In some cases, this cost is as low as 90%.
- Indian pharmaceutical industry possess excellent chemistry and process reengineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps Indian companies to develop processes, which are cost effective.
- Cost competitiveness due to lower labour cost and production cost
- Well-developed industry with strong manufacturing base
- Well established network of Laboratories and R&D infrastructure for new drug discovery and development
- Access to pool of highly trained and skilled scientists, both in India and abroad
- Strong marketing and distribution network in domestic as well as international market
- India is second largest country in terms of population in world with rich biodiversity
- Expertise in reverse engineering and development of new Chemical process made Indian pharmaceutical industry as one of the strongest generic industry

Weaknesses

- The Indian pharmacy companies are marred by the price regulation. Over a period of time, this regulation has reduced the pricing ability of companies. The NPPA (National Pharma Pricing Authority), which is the authority to decide the various pricing parameters, sets prices of different drugs, which leads to lower profitability for the companies. The companies, which are lowest cost producers, are at advantage while those who cannot produce have either to stop production or bear losses.
- Indian pharmacy sector has been marred by lack of product patent, which prevents global pharmacy companies to introduce new drugs in the country and discourages innovation and drug discovery. But this has provided an upper hand to the Indian pharmacy companies.
- Indian pharmacy market is one of the least penetrated in the world. However, growth has been slow to come by. As a result, Indian majors are relying on exports for growth. To put things in to perspective, India accounts for almost 16% of the world population while the total size of industry is just 1% of the global pharmacy industry.
- Due to very low barriers to entry, Indian pharmacy industry is highly fragmented with about 300 large manufacturing units and about 18,000 small units spread across the country. This makes Indian pharmacy market increasingly competitive. The industry witnesses price competition, which reduces the growth of the industry in value term. To put things in perspective, in the year 2003, the industry

actually grew by 10. % but due to price competition, the growth in value terms was 8. 2% (prices actually declined by 2. 2%)

- Low investment in innovative Research&Development
- Lack of resources to compete with MNCs for New Drug Discovery Research and to commercialise molecules on a worldwide basis
- Lack of strong linkages between industries and academia
- Lack of culture of innovation in the industry
- Low per capita medical expenditure and healthcare spend in country
- Inadequate regulatory standards
- Production of spurious and low quality drugs tarnishes the image of industry at home and abroad

Opportunities

- The migration into a product patent based regime is likely to transform industry fortunes in the long term. The new patent product regime will bring with it new innovative drugs. This will increase the profitability of MNC pharmacy companies and will force domestic pharmacy companies to focus more on R; D. This migration could result in consolidation as well. Very small players may not be able to cope up with the challenging environment and may succumb to giants.
- Large number of drugs going off-patent in Europe and in the US between 2005 to 2009 offers a big opportunity for the Indian companies to capture this market. Since generic drugs are commodities by nature, Indian producers have the competitive advantage, as they are the lowest cost producers of drugs in the world.

- Opening up of health insurance sector and the expected growth in per capita income are key growth drivers from a long-term perspective. This leads to the expansion of healthcare industry of which pharmacy industry is an integral part.
 - Being the lowest cost producer combined with FDA approved plants; Indian companies can become a global outsourcing hub for pharmaceutical products.
 - Significant export potential to the developing as well as developed countries
 - Licensing deals and collaborations with MNCs for New Chemical Entities and New Drug Delivery Systems
 - Providing marketing operations to sell MNC products in domestic market
 - India can be niche player in global pharmaceutical R&D by developing world class infrastructure
 - Contract manufacturing arrangements with MNCs
 - Potential for developing India as a centre for International Clinical Trials
 - Increasing aging world population
 - Increasing incomes and buying power of people especially in rural areas has opened the great opportunity for Indian pharma companies. Around 70% of the total population of India is residing in rural areas.
13. Growing awareness for health and increasing spending on health

Threats

- There are certain concerns over the patent regime regarding its current structure. It might be possible that the new government may

change certain provisions of the patent act formulated by the preceding government.

- Threats from other low cost countries like China and Israel exist. However, on the quality front, India is better placed relative to China. So, differentiation in the contract manufacturing side may wane.
 - The short-term threat for the pharmacy industry is the uncertainty regarding the implementation of VAT. Though this is likely to have a negative impact in the short-term, the implications over the long-term are positive for the industry
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 - Growing awareness for health and increasing spending on health
- SWOT analysis of some pharmaceutical industries in India

Sun Pharma Industries SWOT Analysis

Sun Pharmacy is fifth largest most profitable company in India. They are international specialty pharma company with strong presence in Indian and US generics market

Strength

- Strong growth in emerging market business
- Introduction of Pantoprazole; Eloxatin in US market has very limited competition
- They have strong marketing; sales force of over 12, 000 employees
- They have successfully acquired Taro pharma which has further consolidated their position in Indian markets
- Strong brand presence in India and US markets

Weakness

- Stiff competition from many Indian and other global brands means limited market share growth
- Limited presence in emerging markets and European countries

Opportunity

- They can leverage their acquisitions to further increase the growth
- They can increase their presence in contract manufacturing
- Increasing healthcare awareness in India

Threats

- There is growing competition in generics market
- Stringent patent regulations

- High price sensitivity of consumer

Dr. Reddy's Laboratories Ltd SWOT Analysis

Strength

- Company launched Peg-grafeel™, an inexpensive variety of pegfilgrastim, used to fight infection in chemotherapy where company has sold some 1.5 million units of it.
- Dowpharma/Chirotech acquisition provided proprietary chiral and biocatalysts technology
- The acquisition of Beta pharma helped to introduce an array of generic products and show its presence in the European markets.
- Has a strong workforce of over 15,000 employees

Weakness

- Discovery of drugs is a highly unpredictable business
- Strict govt regulations and policies affects operational efficiency

Opportunity

- Leverage Biologics & Cytotoxic Infrastructure to deal with the need of Oncology Market
- New partnerships to develop Biosimilar business
- Develop cost effective ways of new drug development to improve business in emerging markets

Threats

- Preliminary investment for Drug discovery is very high

- Long gestational period for new drug development
- Increasingly stringent regulations for new drug development

Aurobindo Pharma SWOT Analysis

Aurobindo pharma Ltd is among the largest 'Vertically Integrated' pharmaceutical companies in India, with a robust product portfolio. They are global pharmaceutical company with great commitment to healthier life.

Strength

- A new drug Nevirapine discovered against the HIV infective disease has been approved by the US FDA, which will increase the market size and profits of the company.
- Approval of generic version of Clopidogrel from FDA will boost revenue of company
- A greater growth in terms of sales in the US and Europe due to various US approvals
- Strong marketing network
- Aurobindo exports to over 125 countries across the globe

Weakness

- Retirement of the three top most directors will have an impact on the functioning till new capable people join.
- The company is not into mergers or acquisitions which will help it increase the product list
- Very low in the corporate social front
- Largely dependant on Indian market for revenue generation

Opportunity

- Increasing health awareness
- Improving the R&D section to expand the product pipeline
- Globalize and further break through into joint ventures and subsidiaries into China, Brazil and other Latin American markets.

Threats

- The European crisis, which will have a great impact on the sales since major orders are from the Europe and US
- Depreciating value of currency will affect the export
- Peers post a major competition.

Cipla SWOT Analysis**Strength**

- Cipla has developed good positive image by providing support to cancer patients by issuing drugs at low cost
- Imminent commencement of the Fixed-Dose combination for treatment of uncomplicated *P. falciparum* malaria to tackle the 200+ million cases of malaria globally
- Initiation of 'No Touch Breast Scan' a step forward in the screening technology in India.
- A foremost player in anti-infective and anti-asthmatic formulations.
- Has a strong employee force of over 16, 000

Weakness

- Strong competition from international and domestic giants means limited market share
- Cipla had faced problems during negative campaign by AHF

Opportunity

- It can venture into Alzheimer's disease medication
- They can use Viramune generic to achieve higher growth
- Increased investment in the budding markets, to push expansion in the global economy

Threats

- Constant price rises in the Indian country is taking its toll and compounding the problem
- The Indian Rupee depreciated as compared to the US Dollar
- Fluctuations in currency exchange rates have a noteworthy impact on the Company's operations and financial results.

Ranbaxy SWOT Analysis**Strength**

- Top 10 Global Generic Company with a spread over 125 countries
- over 13, 000 well trained Employees, over 50 nationalities
- Strong presence in the International market with a major share and a strong presence in India as well
- It has operations in nearly 50 countries and has 7 manufacturing plants

Weakness

- It is heavily dependent upon generics for its revenue generation
- Constantly regulated policies by the govt means operational efficiency is affected

Opportunity

- Increasing health awareness
- Improvement in distribution network ; brand building
- They can leverage Synriam, anti-malarial drug in brand building

Threats

- Increasingly stringent FDA Regulations
- Exchange rate fluctuations
- Global economic slowdown

Lupin SWOT Analysis

Lupin is the world's largest manufacturer of anti-tuberculosis drugs. It is innovation led pharmaceutical company, which specializes in generic, API; branded formulations for developed and developing world.

Strength

- World wide leader in Cephalosporin and Anti TB drugs
- Considerable presence in market for drugs against Asthma, Pediatrics, Diabetes, and CNS boosts the sales
- In the US and Japanese market it is the largest generic player
- Acquisition of I'rom pharma helped to increase its product list and in turn sales

- Wide global footprint as it is present in over 70 countries

Weakness

- High dependence on global formulation business with 84% revenue coming from US market
- Forecasting done on technological level is less
- It operates in low growth segments such CNS, respiratory diseases

Opportunity

- Increased health awareness
- 2. Emerging technological trends in drug delivery
- 3. Increasing prevalence of TB in developing countries

Threats

- Unsuccessful assimilation of questions
- Rigid opposition both from locals and global company
- Soaring cost of discovering novel products

Conclusion

A realistic recognition of the weaknesses and threats that exist for your effort is the first step to countering them with a robust and creative set of strengths and opportunities.

A SWOT analysis identifies your strengths, weaknesses, opportunities and threats to assist you in making strategic plans and decisions. SWOT is a simple yet comprehensive way of assessing the positive and negative forces within and without your organization, so you can be better prepared to act

effectively. The more stakeholders you involve in preparing the SWOT, the more valuable your analysis will be. Whatever courses of action you decide on, the four-cornered SWOT analysis prompts you to move in a balanced way throughout your program.

It reminds you to:

- Build on your strengths
- Minimize your weakn
- Seize opportunities
- Counteract threats

A SWOT analysis will be most helpful if you use it to support the vision, mission, and objectives you have already defined. The SWOT will at least provide perspective, and at best will reveal connections and areas for action.

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