

# Problem formulation and identification paper



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Allen Chao, the founder and CEO of Watson Pharmaceutical, Inc. has a flexible and practical mindset that made him a successful entrepreneur. His capacity to easily spot problems in a very objective and realistic light has made his company a powerhouse in US pharmaceutical industry. Watson's first problem is how they enter the drug manufacturing market with a meager sum of money. Initially Chao had espoused a long-term goal of emulating its huge competitors, such as Searle, which developed and marketed its own drugs. Upon knowing that this plan is improbable due to start-up financial constraints and approval difficulties from FDA, Chao faced reality; he opted to first enter the generic drug making industry where costs are lower and risks on FDA approval, lower. This decision was made after finding out in Chao's research that though the generic drugs industry yielded lower margins compared to its branded counterpart they were able to gain handsome income.

Watson's finances were insufficient to operate the company in its early days. With this problem, Chao had displayed another of his quality in solving the problem, by persistently finding a method that works. After failed attempts to acquire funding from banks and other orthodox financial sources, instead of he decided to tap the Taiwanese community in his area for monetary aid. With Chao's leadership, the company was also able to point out alternative opportunities that could eventually solve its problem. Knowing that he cannot squarely compete, Watson seized the market niche where his competitors had dared not to tap because of low margin. With the unique operating stratagem implemented by its founder and CEO, the company was able to capitalize on the territories that are untapped by its competitors in its early years to generate sales. By producing generic drugs these low margin

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niche drug markets, Watson Pharmaceuticals was able to become pioneers in them.

As profits went in, the company had again inked out another problem, how to make the company grow. This propelled them to product innovation, to improve the status quo by finding ideas that will make their products more effective and sellable. Watson had successfully gained the exclusive right to produce additional 17 generic products. This surged Watson's profits even further.

Having sufficient money to expand further, Watson Pharmaceuticals acquired other pharmaceutical companies that will extend their market reach. The company was able to incorporate 9 subsidiaries to its empire.

Watson Pharmaceutical, Inc is led by a genuine entrepreneur who sees problem as an opportunity to expand and to grow. Chao's ability to be very objective and realistic to the problems he faced and his passion to look for opportunities for putting his company to a position of power and advantage is his strength. His pioneering tactic of tapping the previously deserted market niche has boosted the company's profits and popularity. However, for me, its aggressiveness to expand by business acquisition is a weak point. It subjects Chao in a position where he is acquiring an environment different from his own established and effective one. He should have extended his corporation's operations than clashing to a company espousing a different management culture from his.

For me, Chao's objective, realistic, and practical way of identifying and handling problems in his organization is the most favorable aspect in his problem identification method. Instead of simplifying or complicating his method in finding problems, he used reality as his guide to spot a problem <https://assignbuster.com/problem-formulation-and-identification-paper-essay-samples/>

and to eventually turn it into a solution.

#### References

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