Johnson and johnson business strategic plan report

Business, Company

Abstract

Since its founding in 1886 by three brothers, Robert, James, and Edward Johnson, Johnsons & Johnsons has reached more than 275 operating companies around the world to include Asia, Europe, Asia Pacific and Africa. Its goal of creating new and better products for customers and healthcare professionals pushed it to expand into three product segments: Pharmaceuticals, Consumers, and Medical Devices and Diagnostics (MDD). In 2013, it stood as one of the top 10 companies in the United States in its Pharmaceutical segment. It has driven growth through a concerted effort to restore reliability in providing products to its consumers with a focused goal of increasing shareholder value. Its consolidated revenue reached $71, 312 million, up 6. 1 percent from the previous year. Its net profit, however, reached 23. 27 percent, far above the industry's standard median, and ahead of its nearest competitors. For every dollar invested into it, the Company earned $0. 23, testifying the high efficiency of operating its business.

Introduction

Technique analysis allows a closer look into the strategies that companies currently use in marketingits products and services to the best possible advantage in the markets its operate. Johnson & Johnsons, by virtue of its multi-product business, adapted varied marketing techniques its management considered to be most advantages to its products both in the pharmaceutical, consumer, and medical devices and diagnostics (MDD) segments. Conversely, alternative strategy generation approaches provide insight into the breadth of its options in managing its various products against its primary competitors. Although, it prefers to use cost leadership strategy, particularly in handling its Consumer segment. Moreover, the strategy and prioritization selection plan describes the Company's strategic focus in niche markets and adaptive to global product distribution as a means of specific market expansion.

The Johnson & Johnson Corporate Action Plan details a four-pronged primary courses of action, which it terms as " drivers" that is highly consistent with its Mission Vision, Core Values, and Objectives. The evaluative plan describes the achievements of the Company in current years according to the specific action plan. These five aspects of the strategic plan will be described in this paper with an aim to increase understanding surrounding the staying power of Johnsons & Johnsons through decades of its existence.

Company's Mission and Vision Statement

The company's core mission and values statement is described as a " Credo" which was written in 1943, by Robert Johnson. Its Credo states its common values and characteristics to its employees and operation companies. The company divided its Credo into four sections. The first opening segment is directed to its patients and customers. The company states how it will continue to create new and better products to service its customers' and health care professionals around the world. It will remain focused on innovative services to deliver top brand products to ensure customer satisfaction. Its second segment is to its employees. The company promises to implement training, development and safety of its employees, along with a work life balance. Its third segment is to the community. The company states how it will remain actively engaged in the community. Johnson and Johnson created programs to aid the community with healthcare products and services. Within the last five years, the company donated millions to assist those that needed medical assistance. The company's fourth and final Credo is addressed to its shareholders. The company consider themselves as a multi –generational cycle. The company invests in long-term goals by leveraging its products and services; his strategy benefits the shareholders, resulting in the overall well-being to its customers and patients. After mention of the company's Credo is the company's aspiration which states: The company's legacy is caring for one person at a time; and inspiring to help billions of people live longer, healthier happier lives (Johnson & Johnson, 2014, p. 4). Its credo statement is properly defined. It includes the company's culture, core values and aspirations, which are key elements to the overall mission and purpose of the company.

2013 Business Highlights

Innovating in Pharmaceuticals. JNJ is the fastest growing top 10 pharmaceutical companies in the U. S., Europe and Japan. This was due to its innovation of new products since 2009. Medical Devices and Diagnosticsrecorded at $28. 5 billion. The main contributions were its operational growth from the acquisition of Joint Reconstruction products in the Orthopedics business. Consumer. Accounted for $14. 7 billion worldwide and is the sixth-largest health care consumer business in the world. Growth recorded at 2. 8%. Tylenol and Motrin were the main contributors, accounting for 19. 7% growth for OTC in the U. S., totaling $14. 7 million.

Shareholders value. The company had a total return of 35%, which is 30 years of adjusted earnings (Johnson and Johnson, 2014) (See Appendix A).

Revenue analysis

For end of fiscal year 2013, the company recorded revenues of $71, 312 million, which is an increase of 6. 1% from fiscal year 2012. This increase was mainly due to the sales increase. The pharmaceutical segment recorded $28, 125 million, which is an increase of 10. 9% over fiscal year 2012. Immunology products accounted for 16. 7%. The medical device segment recorded $28, 490 million (2013). This is an increase of 3. 9% over fiscal year 2012. Orthopedics accounted for 21. 9%, an increase from the previous year. The consumer sector recorded $14, 697 million (2013) an increase of 1. 7% from 2012. Over The Counter Drugs (OTC) accounted for . 07%, an increase from 2012. Net income after taxes was recorded as $13. 83 billion (2013). The Research and development category. The company spent $8, 183 million (2013). The company strives to create, innovative technology for its patients and healthcare professionals (Johnson & Johnson Annual Report, 2013).

Industry analysis

When comparing the industry sales/revenue for in 2012, JNJ revenue was $67. 28 billion. Whereas the industry revenue was $1, 250 billion. In 2013 JNJ’s, revenue recorded $71. 2 billion which is a sales growth of 5. 92% and well over industry predictions. The continuing increase of sales is a fair indicator the company is in a good financial position and will continue to surpass the industry’s revenue metrics for years to come (See Appendix B).

Competitiveanalysis

Proctor and Gamble financial report showsitstook the lead for annual sales recording $83. 06 billion in 2013 compared to JNJ ($71. 31 billion), Pfizer ($51. 58 billion), and Bristol Myers Squibb ($16. 39 billion). However, the net profits recorded J&J beat them all recording 23. 7% (2013), Procter Gamble (12. 47%), Pfizer(20. 93%) and Bristol-Myers Squibb recorded 16. 92%. This comparison indicates Proctor and Gamble had more annual sales recorded, but its expenses outweighed revenue. Therefore JNJ took the lead for the highest company profit. Additionally, J&J net profit was well above the industry standards, indicating that for every dollar earned, the company made $. 23 (Hoovers AD&B Company, 2014). J&J is in a good financial position compared to the industry standards and above its top competitors. (See Appendix C).

Technique analysis

First, Johnson & Johnson Pharmaceutical uses focused differentiation technique in marketing its new proprietary medicines (Saylor 5, 2013). In 2013, the company created three major medicines: INVOKANA (canagliflozin), IMBRUVICA (ibrutinib) and OLYSIO (simeprevir) (Johnson & Johnson [J&J], 2013). Each medicine has its own focused market: INVOKANA for Type 2 diabetic patients, which affects approximately 26 million people in the United States; IMBRUVICA for people with rare mantle cell lymphoma, and; OLYSIO for patients with chronic hepatitis C. Canagliflozin, for instance, is the first medicine in a new class of drug called the oral inhibitors of sodium glucose cotransporter 2 (SGLT2) to reach the market in the United States (Nainggolan, 2013). Its action reduces resorption of glucose in the kidney, leading to increased glucose excretion in the urine; consequently lowering plasma glucose levels as well as weight loss. Although another drug in this class, dapagliflozin (FORXIGA) by Bristol-Myers Squibb/AstraZeneca, is already available in Europe (approved in November 2012), canagliflozin distinguishes itself in its inability to show any signal for an increase in malignancy unlike dapagliflozin. As such, it may be considered as a first mover (Saylor 6, 2013) in the United States, essentially providing a disruptive innovation to the equivalent European dapagliflozin.

Two upcoming potential competitors are ipragliflozin (Astrellas Pharma), which has filed for marketing approval in Japan and empagliflozin (Eli Lilly/Boehringer Ingelheinm), which is still in its phase 3 clinical trials and has recently filed in the United States for marketing approval. The very close distance between canagliflozin and empagliflozin in the United States means that the former may not have sufficient time to establish market dominion before the latter hits the market (Saylor 6, 2013), probably in a matter of a year or. A head-to-head fight will be very costly, and thus unlikely, during the introductory stage. More than likely, Johnson & Johnson will prefer a mutual forbearance with Eli Lilly/Boehringer Ingelheinm, letting each other win as much market so the company can see how much market share each can win without resorting to price war. Outside the generics market, the industry rarely used price war strategies due to its impact on the brand. Instead, differentiation by uniqueness had been the norm.

Second, Johnson & Johnson Consumer consists of a broad range of products in the baby care, oral care, wound care and women’s health care as well as well as nutritionals, OTC pharmaceutical products and wellness-prevention platforms. Many of its product lines have been household names for several decades. Marketing strategy in this segment largely involves cost leadership (Saylor 5, 2013), which explained its strong market penetration and staying power, ranking sixth-largest in this industry. However, newer franchises had been promoted with branding objectives such as NEUTROGENA, AVEENO, and LISTERINE in an effort to differentiate each brand from the competition while targeting the broad market. Most of its enduring product lines are in mature markets, managing to grow in low single-digits (below 5%) annually. Maintenance advertising program helped keep consumer awareness of the brand supported by extensive distribution networks.

Third, Johnson & Johnson MDD (Medical Devices and Diagnostics) uses a differentiation strategy targeting a narrow market consisting of healthcare professionals such as physicians, and nurses, and healthcare institutions (i. e. hospitals and clinics) as prescribers of the products to its patients (Saylor 5, 2013). Targeting this market made it more efficient to sell the products to users. Its products target specific healthcare interventions such as cardiovascular treatment, orthopedic and neurological interventions, blood glucose monitoring, insulin delivery, general surgery, diagnostic materials, infection prevention, and disposable contact lenses.

SWOT Matrix

The SWOT matrix outlines the company's strengths, weakness, opportunities and threats. Furthermore the matrix will suggest potential solutions by match strengths, and weakness, opportunities and strengths and weakness with threats (See Appendix D).

Alternative strategy generation

Johnson & Johnson had used the same strategy from the beginning of its corporate existence. However, its preferred alternative strategy, which it uses in its Consumer segment, had been cost leadership. This strategy allows for potential increases in their profits while keeping its prices below industry levels. A case in point was its operation in India. The Company used cost leadership strategy, which resulted to high sales, supported by an efficient supply chain and cheap costs of labor.

Strategy and prioritization selection

Consistent with its Credo, Johnson & Johnson strategic operating principles are as follow: maintaining a broad base in human healthcare; managing the business for the long term; a decentralized management approach, and; commitment to its employees and values. All strategies that the management adopts must be consistent with these principles (J&J, 2013). Its niche marketing approach involves mostly the use of proprietary products commonly generated in its Pharmaceuticals segment, such as IMBRUVICA (Ibrutinib) for mantle cell lymphoma and REMICADE (Infliximab) for immune-mediated inflammatory diseases. It also use this strategy in penetrating new markets to expand reach.

Action plan

Johnson & Johnson (2013) has a four-pronged action plan that it referred to as Our Four Drivers of Long-Term Growth. First, the Company will create value through innovation. Second, it will bring to life a global reach with local focus. Third, it will maintain a laser focus on excellent execution. And, fourth, it will lead with purpose to make a difference.

Driver one: Innovation

Innovation acts as the core point of the Company’s management strategy. Its products, INVOKANA (canagliflozin), IMBRUVICA (ibrutinib) and OLYSIO (simeprevir), had been offshoots of innovation through its research and development (R&D) efforts. In the last five years, it had consistently invested at least 10 percent of sales to support its R&D activities. Innovation breaths into every product in the Consumer, Pharmaceutical and MDD segments, aimed at helping bring more new products into the market and keep or hold its market shares.

Driver two: Global reach, local focus

Johnson & Johnson continues to reach out to more global markets while keeping its focus in the respective localities. Its new products, net technologies and new business models had one focused objective: to connect these products with the way its customers live, making the products matter in its lives. While headquartered in the United States, it already achieved presence in 60 countries.

Driver three: Excellent execution

Johnson & Johnson believes that “ strategy is only as good as the ability to execute flawlessly.” This principle is highly relevant especially in the health care industry where it operates. The strategy involves “ focusing and setting priorities, doing the right thing and not just getting it done, meeting milestones, and delivering on its commitments.” A highly efficient operator can make lots of money from an economy of scale. For instance, a food supplement formulation machine, which cost $23, 000 to purchase, represents a cost per capsule when the company is producing only 100, 000 units (cost = $0. 23 per capsule); but only $0. 023 when producing one million capsules. The cost advantage allowed the Company to operate profitably for several decades with its cost leadership strategy. This strategy will serve the Company very well in relation to regulatory compliance, which maximizes the chances of its products' availability to the market. This strategy will also help the company improve its current supply chain to cut the time needed to transport products from the production line to the store shelves, and eventually to the customers. Overall, excellent execution brings about faster product turnover and reliability of supply.

Driver four: Social responsibility

Johnson & Johnson's social responsibility initiatives position the Company as an enduring player in advancing human health and well-being, in safeguarding the planet, and in leading a strong and socially responsible business. This action plan consists of six initiatives: supporting the United Nations Millennium Development (UNMD) goals; supporting directly communities around the world through donations of products and cash; supporting the global fight against tuberculosis through targeted medicine R&D; supporting increased access to HIV medicines in Africa; supporting health through the elimination of ingredients that had been found as health risks, and; supporting consumer education through data transparency for its clinical trial reports, setting a new standard in the industry.

Evaluative plan

Based on its four-pronged action plan, Johnson & Johnson annually evaluates its performance based on its achievements in the respective growth drivers. Its fiscal 2013 accomplishments expressed a highly dynamic action plan that invigorates the entire Company to move and achieve its official commitments through:

Driver one: Innovation

The Company's consistent investment to support its R&D efforts resulted to new products that had comprised 25 percent of its sales annually. As of 2013, it gained or held market share in 14 out of 18 key in-line products. Its Pharmaceutical group came up with three new major medicines (INVOKANA, IMBRUVICA and OLYSIO). Its MDD segment has also approved three new medical devices such as EVARREST Fibrin Sealant Patch, ENSEAL G2 Articulating Tissue Sealer, and THERMOCOOL SMARTTOUCH Catheter. Its Consumer segment also introduced LISTERINE ADVANCED DEFENCE Gum Treatment in the United Kingdom and Ireland markets.

Driver two: Global reach, local focus

As of 2013, Johnson & Johnson has more than 275 operating companies in 60 countries, providing 55 percent of its business. Around 22 percent of its sales came from fast growing emerging markets such as Brazil, Russia, India, and China (J&J, 2013).

In Southeast Asia, the Company unified its regional operations under the business model called " One Johnson & Johnson" for nine countries including Thailand, Indonesia and the Philippines. The action positioned it to efficiently take advantage of market opportunities in these smaller and mid-sized markets. The J&J ICC provides R&D support for any new opportunities discovered in these markets.

Driver three: Excellent execution

Johnson & Johnson's drove towards optima efficiency has benefited the Company in 2013 through the successful restoration to market circulation around 75 percent of its over-the-counter (OTC) products after years of unreliable supply in the United States market. These products include TYLENOL and MOTRIN, which immediately drive the U. S. OTC growth of 19. 7 percent.

Driver four: Social responsibility

UNMD accomplishments: Johnson & Johnson, the United Nations Millennium Development (UNMD) initiative, focused on supporting the well-being of mothers and children around the world, including locations where the needs are most urgent and resources most scarce. It focused on five areas: making childbirth safer; treating and preventing intestinal worms in children; educational drive for new and expectant mothers using mobile phones; eliminating mother-to-child HIV transmission, and; scaling up R&D on medicines for treating HIV, tuberculosis, and neglected tropical diseases. It had made available SIRTURO (bedquiline) to fight multi-drug resistant tuberculosis particularly in outbreak countries like Russia. It had also made available PREZISTA (darunavir) and INTELENCE (etravirine) for children and adolescents failing HIV treatment in sub-Sahara Africa.

Local community programs: The Company had contributed in 2013 about $1 billion in products and cash to support over 500 community programs in more than 60 countries. In addition to helping local communities within its market, this initiative also provided the Company opportunities for establishing footholds in addition to promoting brand recognition and recall. Elimination of risk ingredients: The Company made a public commitment in 2011 to reduce or eliminate toxic ingredients in its baby and beauty products by 2015.

Establishing new standards in data transparency: The Company has partnered with Yale University School of Medicine's Open Data Access (YODA) Project to provide a channel for consumers to obtain and review its clinical trial data, a show of commitment in its drive for responsible business management.

Management of LongTerm Goals

Johnson and Johnson will concentrate on producing quality brand products and establishing's customer loyalty and building shareholder value. The majority of its revenue is derived from sales (70%). The company will continue to innovate and invest in organic products and licensing partnership to expand its brand name and products. Thus far, J&J holds the strongest new product portfolios in the industry (" Johnson & Johnson Strategic Framework," 2012).

Conclusion

A closer look at the strategic business plan of Johnsons & Johnsons will unraveled a business enterprise manufacture by selling a wide variety of consumer products with a significant focus in healthcare that expressly defined its core strengths. As long as J&J continues to create innovative technology and research it will have the competitors' edge. Its company is attuned to its weaknesses and is making strides to address their challenges. Its decentralized management approach is the key to achieve these swift demands of the evolving market. J&J upholds its commitment of servicing its patients, employees and healthcare professional globally which correlates to its credo statement.

Johnson and Johnson four drivers for success: innovation, global reach, execution and social responsibility are all representatives of the core values and high passion reflected in its name brands and corporate life for decades to come.

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Appendix A

Appendix B

Appendix C

2013 Net Sales2013 Net Profits

Appendix D