

# Good case study on merck open for innovation

[Business](#), [Management](#)



## Summary

Merck is an organization that operates within the pharmaceutical industry. The pharmaceutical industry is considered to be one of the most lucrative industries in the universe. This is largely attributable to the comparatively low number of organizations that operate within this industry. The pharmaceutical industry is one which demands that all of the organizations operating within this industry should be capital intensive. This is mainly due to the nature of equipments which are used for the manufacturing of medicine. The medicine is usually manufactured through the use of highly sophisticated equipment which are normally very expensive. In addition to that, Merck is an organization that experiences higher costs of doing business. This is because it usually aims at hiring the top students from the top universities. This means that they have to develop remuneration perks, which are extremely competitive.

In the recent past, Merck has been facing a lot of challenges as far as operations and profitability are concerned. The pharmaceutical industry in the United States and other parts of the universe has been subjected to an increase in regulations. There are quite a number of new regulations, which have been developed. Some of the regulations which were introduced recently have a negative impact on Merck. For instance, there has been a significant decrease in the duration over which a company can be able to hold a patent for any given drug. This has brought about a situation whereby organizations such as Merck are likely to record lower levels of profitability than before. This is because Merck is an example of an organization that invests heavily in research and development. This level of investment is

usually carried out on the basis of the premise that the investment will be recovered during the period when the company will be holding the patent. However, the decrease in the duration over which a company can hold a patent has brought about a situation whereby at times Merck is not able to maximize on the patents. There are also other additional factors which have negatively affected the operations of Merck. They include the following: empty drug pipelines, harsh economic climate, adverse regulatory environment, and increasingly competitive market among others.

### **SWOT Analysis**

Merck is an organization that has been operating within the pharmaceutical industry for a long duration. As a result of this, it has been able to develop various competitive advantages. One of the major strengths of Merck is it has one of the most proficient workforces within this industry. This is due to the hiring and recruitment practices of this organization. By hiring the most proficient professionals, the organization will increase its chances of becoming one of the leading companies in innovation. This is because innovation usually entails the carrying out of activities using different and unique approaches. The use of these approaches will eventually enable the organization to gain competitive advantage.

One of the key weaknesses of Merck is that it is rigid. In order for Merck to be successful, it needs to be fast in adapting to the changing business environment. As a result of this, the management teams should make a conscious effort of putting up systems that will enable Merck to develop a culture of fast adaptation. Merck has the opportunity of becoming the most successful organization within the pharmaceutical industry. This can be

achieved through the proper definition of the core business of Merck. The management of this company needs to define whether the organization should concentrate on the manufacturing or retailing of medicine. By so doing, the management will outsource one function thus being able to concentrate on its core business. The major threat facing Merck is the decline in market share. Over the year, there has been a significant increase in the number of organizations which are operating within this industry. Although the size of the market has also increased, the level of growth in the consumer market is not commensurate to the number of organizations operating within this industry.

### **Key Issue/ Problem**

Innovation is the key problem that is facing Merck. This organization needs to embark heavily on the process of innovation. This is because there have been quite a significant number of changes that have taken place within the pharmaceutical industry. These changes have revolutionized the manner in which operations and trade are being carried out within this industry. As a result, there is a need for Merck to innovate in order to remain relevant and competitive. In the recent past, there has been a significant rise in the number of organizations which are operating within this industry.

Consequently, this has increased the degree of competition within this industry.

In the past, companies, which had a culture of introducing new medicines into the market were considered to be the most competitive. However, this culture has changed. These changes have been brought about by the modification of the duration over which patents remain valid. An organization

like Merck used to be extremely competitive because it used to be one of the market leaders in research and development. However, Merck needs to look for ways through which it can carry out its business in an innovative manner.

## **Alternative Solutions**

An innovator develops new ideas and establishes new efficient ways of completing different tasks using minimum resources possible within the shortest time possible. Innovation comprises an art of developing new ideas that facilitate the completion of certain tasks in an efficient manner. An innovator can include people across all the professions that currently exist in the world. An innovator can be a person in different professional disciplines and not necessarily a business person. Over the years, Merck has been investing heavily in order to promote innovation in the organization. This is because there has been an increase in the number of drug shops that are set up in America and other parts of the world. As a result of this, the organization needs to ensure that it introduces high levels of innovation so as to be able to remain competitive. Recently, Pfizer ventured into the business of making and selling premium drugs.

In order to remain competitive, the organization needs to develop and implement a policy that encourages innovation in the organization. This policy will enable Merck to be able to develop various ways through which it can differentiate the services and product that it offers, one of the ways through which the management of Merck has been able to facilitate the development of innovation in the organization is through the IFMA Centre of Innovation and Excellence. It is through the participation of the members of staff at the IFMA Centre of Innovation and Excellence that the employees are

able to learn various ways through which they can be able to become innovative while at the work place.

When there are a significant number of employees who display high levels of innovation, the organization is normally able to cut down on the cost of production, as well as the operating costs. This is because the employees will be always looking for efficient ways of achieving their objectives or carrying out their tasks. The management of Merck has also been able to foster a culture of innovation in the organization through the issuing of rewards to employees who display high levels of innovation. This is a strategy that has managed to motivate most of the employees to look for ways through which the organization can be able to operate at the least possible cost while still attaining maximum outputs and realizing maximum profits.

## **Selection of Alternatives**

In order to achieve all the company objectives in the best way possible, Merck has put in place a well able management team. The organization normally offers competitive perks to its employees, and as a result, it is normally able to attract some of the highly skilled and multi talented individuals. This has also enabled them to develop a management team that is comprised of people who are well experienced, and they boast of exemplary academic records. In line with management, the organization places much emphasis on planning. This is because before any project is initiated in the organization, there people to take part in the project are usually required to carry out extensive research. This is in order to ensure that the data collect will facilitate the development of accurate reports. This is because the information contained in this report will serve to inform the

management team when it comes to making decisions that pertain to that specific project.

The management team is tasked with the responsibility of strategic management. Strategy comprises the methodology adopted by an organization or an individual in accomplishment of their objectives. Each organization employs its own unique strategies to achieve a competitive advantage, and beat its competitors. Most of the organizations keep their strategies and innovations a secret especially in the early stages to avoid hijacking by competing organizations. Strategies facilitate organizations to achieve competitive advantages over their competitors. There are different tasks assigned to different teams within the organization, charged with different responsibilities that facilitate an organization to achieve a competitive advantage.

## **Implementation**

One of the ways through which the management can ensure that the Merck is able to gain competitive advantage is through the establishment of the brand. This is because, upon the development of a strong brand most of consumers will have a lot of confidence in the products, which the company develops and sells. As a result, it will be relatively easier for a company that has a strong brand such as Pfizer in order to be able to introduce new products successfully. The successfulness of an organizational strategy is based on the ability of an organization to generate profitability and increase its competitiveness in the industry. In this case, an observation of the organization's profitability indicates that the profitability is consistently

falling. This is an indicator for the organization needs to establish new strategies that will keep them in the industry.

## **Reference**

Horbaczewski, A., & Rothaermael, F. T. (2007). Merck Open for Innovation? Merck Annual Report to Shareholders. Georgia: Georgia Institute of Technology.