

Strategic management essay example

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



Introduction

Global pharmaceuticals grew by 3.6% in 2010 to reach over \$733 billion with projections reaching \$981 billion by the year 2015 (Pharmaceuticals Industry Profile: Global, 2011). Pfizer, the world leader in the global pharmaceuticals market, controls an impressive 9.4% of the global market share (Pharmaceuticals Industry Profile: Global, 2011). Sometimes described as Frankenstein's Monster, Pfizer has been aggressively swallowing up smaller companies since the early 1990's to become the present day drug giant. Pfizer along with other companies will be facing a fork in the road in the near future as they exit their blockbuster growth with the expiration of many of the company's most successful drug patents. In this paper we will conduct several analyses to identify strategies that would be viable options for the company. Pfizer, which has been a company that has dominated with its inorganic growth in the past (Appendix N), will now have to decide what road to choose to maintain their competitive advantage and continue to be the global leader.

Company History and Description

Started in 1849 with a \$2,500 dollar loan from Charles Pfizer's father, a fine chemicals business was started by the name of Charles Pfizer and. Charles Pfizer, a chemist, and his cousin Charles Erhart, a confectioner, both young entrepreneurs from Germany, were the 2 founders of the business. When the business launched their office, laboratory, factory, and warehouse were all operating in the same building. The two cousins combined their skills to begin to manufacture chemicals, the first being a form of santonin that was used to treat intestinal worms which was widespread problem at the time.

Though Pfizer has been a successful company since the beginning, the Civil War could be seen as the explosion point for the company that put them on the track to where they are now. Through the years the company has entered and exited several different chemical markets yet always stayed true to doing things the way that Charles Pfizer intended, dedication to the customers while maintaining the highest quality and efficiency possible. Since then Pfizer has become the world's largest research based pharmaceutical company. The company's focus is on development and manufacturing of healthcare products. They also have an animal health product line. Pfizer is now operating in over 150 countries. In the recent 2000's Pfizer had acquisitions with Wyeth and King Pharmaceuticals. Pfizer's primary NAICS code is for Pharmaceutical and Medicine manufacturing (32541). Industry Description

Using Porter's Five Forces to analyze the pharmaceutical industry we have concluded the following information. Most prescriptions are required to acquire pharmaceutical products and in most cases a public or private sector health insurer is the major source of purchase funds. This increased buyer power, where as the high importance of pharmaceuticals in healthcare weakens buyer power which overall makes it moderate. The supplier power is also at a moderate level because of such irregular attributes involved with the industry. Over recent years, larger companies have turned to producing their own chemicals in a bid to enhance profits, however smaller companies lack the resources required to do this and remain reliant on active ingredient manufacturers. Barriers to entry for generic companies depend on expiry of patents and if the patent holder protects it therefore making it weak for new

entrants. Generics and biosimilars are beneficial alternatives and few costs are involved in changing over to them creating strong threats for substitutes. It is easy to exit this industry and assets can be sold relatively easy creating a moderate degree of rivalry. Pfizer is the world's largest biopharmaceutical company. Its portfolio includes human and animal biologic, small molecule medicines, vaccines, nutritional and consumer products. The company operates in more than 150 countries. It is headquartered in New York City, New York and employed 110, 600 people as of December 31, 2009. Pfizer completed the acquisition of King Pharmaceuticals, a US-based specialty pharmaceutical company, for \$3. 6 billion in February 2011. The company recorded revenues of \$67, 809 million during the financial year (FY) ended December 2010, an increase of 35. 6% over FY2009. The operating profit of the company was \$9, 422 million during FY2010, a decrease of 13% over FY2009. The net profit was \$8, 257 million in FY2010, a decrease of 4. 4% over FY2009. Global Expansion

By the 1940s, Pfizer's successes led to the uprising of many " copy-cat" chemical-manufacturing businesses. This resulted in an increasingly hostile competitive environment for Pfizer. In 1945, the then CEO, John Smith envisioned that Pfizer would be far more successful as a company if it branched out from its manufacturing capability and focused more on the discovery and development of pharmaceutical products. Smith was succeeded by Jack McKeen, another visionary who believed that Pfizer was fully capable of becoming a global leader in the pharmaceuticals industry. As a result of these pivotal foresights, Pfizer began a focus on pharmaceuticals and established its first International Division in 1950. Initially, the firm's

global expansion consisted of a network of sales agents in multiple countries but soon, the company began to establish offices, subsidiaries and partnerships in all corners of the world. Their entry strategy was primarily based on wholly owned subsidiaries and joint partnerships with host-country research-based organizations. The rapid success of Pfizer's single International Division encouraged the firm to reorganize. They divided the world into four regions, and placed a regional director based in the New York Headquarters in charge of each. The regions were Europe, The West, The Middle East and The Far East. Pfizer's early approaches to internationalization involved strategies that focused on subsidiary autonomy. This allowed for timely decision-making with reduced dependence on approval from HQ. Pfizer had struck something. Their strategies for going global boosted the company's growth, as evidenced by it crossing the billion-dollar sales threshold in 1972. Over the years, the firm has committed increasing percentages of its revenue to Research & Development. The firm had successfully honed in on its core competency—research. During the 1990s Pfizer participated in some significant product launches that further entrenched it as a world leader in the industry. In 1992, Pfizer launched three popular drugs Zoloft, Norvasc and Zithromax and followed this with the launch of the popular Viagra in 1999. As was the case at the end of the 19th century, Pfizer was strategically poised to further separate from its closest competitors at the turn of the 21st century. The firm had developed such a strong financial position that it continued to grow by acquiring firms that complimented or contributed directly to their core Competency. An example is the merger between Pfizer and Warner-Lambert that created the new

Pfizer—the world’s largest and most rapidly growing pharmaceutical company. Today, Pfizer stands as a 98000-employee firm whose primary competitors include Merck, Bayer and Novartis. I. Current Situation

A. Current Performance

Revenues decreased 10% in 2012 to \$59. 0 billion, compared to \$65. 3 billion in 2011, which reflects an operational decline of \$4. 8 billion or 8%, primarily the result of the loss of exclusivity of Lipitor in most major markets, including the U. S. on November 30, 2011 and most of developed Europe in March and May 2012, and the unfavorable impact of foreign exchange of \$1. 5 billion, or 2%. Lipitor and other product losses of exclusivity, as well as the final-year terms of our collaboration agreements in certain markets for Spiriva, negatively impacted revenues by approximately \$7. 7 billion, or 12%, in 2012 compared to 2011. Return on investment

(ROI) is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. It is one way of considering profits in relation to capital invested. Return on investment for the past five years:

Dec	31,	2012
Dec	31,	2011
Dec	31,	2010
Dec	31,	2009
Dec	31,	2008
Return	on	equity (ROE)
17.		93%
12.		18%

9. 40%

9. 59%

14. 08%

Return on assets (ROA)

7. 84%

5. 32%

4. 23%

4. 05%

7. 29%

Market Share:

Top 10 pharmaceutical corporations operating in order of market share. #

Corporation

% Share of Primary care market

% Share of Hospital market

% Share of Total market

1

Pfizer

13. 4%

9. 2%

11. 8%

2

GlaxoSmithKilne

9. 6%

3. 1%

7. 3%

3

Novartis

3. 5%

8. 8%

5. 4%

4

Sanofi

5. 1%

4. 9%

5. 0%

5

AstraZeneca

6. 9%

1. 0%

4. 8%

6

Merck and Co

4. 4%

5. 0%

4. 6%

7

Roche

1. 6%

8. 1%

4. 0%

8

Lilly

4. 0%

1. 3%

3. 0%

9

Abbott

0. 7%

6. 5%

2. 8%

10

Boehringer Ingelheim

3. 2%

0. 8%

2. 4%

Industry Matrix

Pfizer

Merck

Glaxosmithkilne

Critical Success Factors

Weight

Rating

Weighted Score

Rating

Weighted Score

Rating

Weighted

Score

Organizational

Structure

Price

Competitiveness

Advertising

Product

Quality

Sales

Distribution

CustomerLoyalty

Market

Share

Global

Expansion

Demographics

Financial

Position

Research

and

Development

Innovation

0.

05

0.

10

0.

04

0.

10

0.

10

0.

03

0.

11

0.

11

0.

03

0.

15

0.

13

0.	10
2	
3	
1	
3	
4	
3	
4	
4	
3	
4	
4	
3	
0.	10
0.	30
0.	04
0.	30
0.	40
0.	09
0.	44
0.	44
0.	09
0.	60
0.	52
0.	30

4

3

1

3

3

3

3

4

3

3

4

3

0. 20

0. 30

0. 04

0. 30

0. 30

0. 09

0. 33

0. 44

0. 09

0. 45

0. 52

0. 30

1

3	
4	
3	
2	
3	
2	
3	
3	
2	
3	
2	
0.	05
0.	30
0.	16
0.	30
0.	20
0.	09
0.	22
0.	33
0.	09
0.	30
0.	39
0.	20
Total	
1.	00

3. 52

3. 16

2. 58

B. Strategic Posture

1. Mission Statement

We will become the world's most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live.

2. Pfizer's Vision Statement

We dedicate ourselves to humanity's quest for longer, healthier, happier lives through innovation in pharmaceutical, consumer, and animal health products. To achieve this purpose and mission, Pfizer affirm the values of Integrity, Leadership, Innovation, Performance, Teamwork, Customer Focus, Respect for People and Community.

3. Strategies

Grow in Emerging Markets

Find new opportunities for established products

Refocus and optimize patent protected portfolio

Instill culture of innovation and continuous improvement

Invest in complimentary businesses

Mergers and Acquisitions/ Alliances with Non-Pharma firms

4. Pfizer's Policies

The company abides to lots of policies in every aspect of their business dealings – may it be with the investors, the suppliers, the research and development, etc. They develop policies which not only cater to the internal people but also people outside the company. Since they have two major

business segments they provided policies for each in order to have a better working environment. II. Corporate Governance:

Committee:

Status:

The Corporate Governance Committee is a committee of the Board of Directors.

Membership:

The Corporate Governance Committee shall consist of three or more Directors all of whom, in the Judgment of the Board of Directors, shall be independent in accordance with New York Stock Exchange listing standards.

Purpose:

The Corporate Governance Committee is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. The Corporate Governance Committee may, at its sole discretion, engage director search firms and has the sole authority to approve the fees and other retention terms with respect to any such firms. The Corporate Governance Committee also has the authority, as necessary and appropriate, to consult with other outside advisors to assist in its duties to the Company. Responsibilities:

The Corporate Governance Committee's responsibilities include: • Developing and recommending to the Board the criteria for Board membership. Candidates are selected for, among other things, their integrity, independence, diversity of Experience, demonstrated leadership, and the ability to exercise sound judgment. Criteria considered include

business experience, scientific and medical expertise, prior government service at policy making levels, and leadership in education, technology and other areas relevant to the Company's global business. • Considering, recruiting and recommending candidates to fill new positions on the Board. • Reviewing candidates recommended by shareholders.

• Conducting the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates. • Recommending Director Nominees for approval by the Board and election by the shareholders. The Committee's additional functions include:

• To consider questions of possible conflicts of interest of Board members and of senior Executives. • To monitor and recommend the functions of the various committees of the Board. • To recommend members and chairs of the committees.

• To consider and make recommendations concerning appropriate size and needs of the Board. • To advise on changes in Board compensation.

• To make recommendations on the structure of Board meetings. • To consider matters of corporate governance and to review, at least annually, our Corporate Governance Principles; • To consider, and review periodically, Director Qualification Standards. • To review, periodically, our policy regarding the adoption of a Shareholder Rights Plan. • To establish Director Retirement policies.

• To review and approve transactions with any related persons in accordance with the Related Person Transaction Approval Policy. • To review the

functions of senior officers and to make recommendations on changes in those Functions. • To review the outside activities of senior executives.

• To review periodically with the Chief Executive Officer the succession plans relating to positions held by elected corporate officers, and to make recommendations to the Board with respect to the selection of individuals to occupy these positions. • To oversee the evaluation of the Board and its committees. • To prepare an annual performance evaluation of the Corporate Governance Committee and annually evaluate the adequacy of its charter. • To maintain an informed status on Company issues related to corporate socialresponsibility, public policy, philanthropy, the Company's participation and visibility as a global corporate citizen and its political spending practices through regular discussions and reviews of the Company's Political

Action Committee and Corporate Political Contributions Reports. • To monitor emerging issues potentially affecting the reputation of the pharmaceutical industry and the Company. Meetings

The Corporate Governance Committee shall meet at least four times each year and at such other Times as it deems necessary to fulfill its responsibilities. The Corporate Governance Committee shall Report regularly to the Board of Directors with respect to its activities and make recommendations to The Board of Directors as appropriate. Good governance remains a critical component of our corporate culture. We place great value on shareholder outreach, which is an essential part of our corporate governance profile. Through engagement, we are able to identify

mutual perspectives and goals and implement changes in our governance and related practices. Corporate Governance Facts

Board and Other Governance Information

2013*

Size of Board

13

Average Age of Directors

65

Number of Independent Directors

12

Diverse Board (as to Gender, Ethnicity, Experience and Skills) Yes

Annual Election of All Directors

Yes

Majority Voting for Directors

Yes

Separate Chairman ; CEO

No

Lead Independent Director

Yes

Independent Directors Meet Without Management Present

Yes

Annual Board and Committee Self-Evaluations

Yes

Annual Independent Director Evaluation of Chairman and CEO, including His

Interactions with Board Yes

Annual Equity Grant to Non-Employee Directors

Yes

Board Orientation/Education Program

Yes

Number of Board Meetings Held in 2012

8

Code of Business Conduct and Ethics for Directors

Yes

Corporate Compliance Program

Yes

Board-Level Regulatory and Compliance Committee

Yes

Disclosure Committee for Financial Reporting

Yes

Annual Advisory Approval of Executive Compensation

Yes

Shareholder Ability to Call Special Meetings (20% Threshold) Yes

Policy Prohibiting Use of Corporate Funds for Direct Independent

Expenditures in Federal and State Elections Yes

Rigorous Process and Expanded Disclosure Related to Corporate Political

Expenditures Yes

A. Board of Directors

The following is a summary of information regarding the company's Board of

Directors: The Pfizer Board: Audit Committee Financial Expertise

The Pfizer Board of Directors has determined that all the members of the

Audit Committee meet the financial literacy requirements of the New York Stock Exchange Listed Company rules relating to audit committees and that and that the following members of the Committee — Mr. Cornwell, Mr. Burns, Ms. Nora Johnson and Mr. Sanger — are " audit committee financial experts" for purposes of the SEC's rules. The Board of Directors also has determined that each of the members of the Audit Committee is " independent," as defined by the rules of the New York Stock Exchange. Board Member

Independent

Position

Dennis A. Ausiello

Yes

Member

M. Anthony Burns

Yes

Member

W. Don Cornwell

Yes

Chair

Suzanne Nora Johnson

Yes

Member

Stephen W. Sanger

Yes

Member

The Pfizer Board: Corporate Governance Committee

Under the terms of its Charter, the Corporate Governance Committee is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. Board Member

Independent

Position

Dennis A. Ausiello

Yes

Member

M. Anthony Burns

Yes

Member

William H. Gray III

Yes

Chair

Helen H. Hobbs

Yes

Member

Constance J. Horner

Yes

Member

John P. Mascotte

Yes

Member

Stephen W. Sanger

Yes

Member

The Pfizer Board: Compensation Committee

Under the terms of its Charter, the Compensation Committee is directly responsible for establishing annual and long-term performance goals and objectives for our elected officers. Board Member

Independent

Position

W. Don Cornwell

Yes

Member

Frances D. Fergusson

Yes

Member

James M. Kilts

Yes

Chair

Suzanne Nora Johnson

Yes

Member

The Pfizer Board: Regulatory and Compliance Committee

Under the terms of its Charter, the Regulatory and Compliance Committee is primarily responsible for overseeing and reviewing the Company's health care law compliance programs and the status of compliance with laws,

regulations and internal procedures applicable to pharmaceutical sales and marketing activities. Pfizer Board Member

Independent

Position

Dennis A. Ausiello

Yes

Member

W. Don Cornwell

Yes

Member

Frances D. Fergusson

Yes

Chair

Constance J. Horner

Yes

Member

John P. Mascotte

Yes

Member

Marc Tessier-Lavigne

Yes

Member

The Pfizer Board: Science and Technology Committee

The Science and Technology Committee was established in 2003. Under the terms of its Charter, the Committee is responsible for periodically examining

management's direction and investment in the Company's pharmaceutical Research & Development as well as in its technology initiatives. The Committee may meet privately with independent consultants and be free to speak directly and independently with any members of management in discharging its responsibilities. Board Member

Independent

Position

Dennis A. Ausiello

Yes

Chair

M. Anthony Burns

Yes

Member

W. Don Cornwell

Yes

Member

Frances D. Fergusson

Yes

Member

William H. Gray III

Yes

Member

Helen H. Hobbs

Yes

Member

Constance J. Horner

Yes

Member

James M. Kilts

Yes

Member

John P. Mascotte

Yes

Member

Suzanne Nora Johnson

Yes

Member

Stephen W. Sanger

Yes

Member

Marc Tessier-Lavigne

Yes

Member

The Pfizer Board: Executive Committee

The Executive Committee performs the duties and exercises the powers delegated to it by the Board of Directors. Board Member

Independent

Position

M. Anthony Burns

Yes

Member

Constance

J.

Horner

Yes

Member

Ian

C.

Read

No

Chair

Securities

Ownership

The table below shows the number of shares of our common stock beneficially owned as of the close of business on January 31, 2013 by each of our Directors and each Named Executive Officer listed in the 2012 Summary Compensation Table, as well as the number of shares beneficially owned by all of our Directors and executive officers as a group. Together, these individuals beneficially own less than one percent (1%) of our common stock outstanding. The table and footnotes also include information about stock options, stock appreciation rights in the form of total shareholder return units (TSRUs), stock units, restricted stock, restricted stock units and deferred performance related share awards credited to the accounts of our Directors and executive officers under various compensation and benefit plans.

Beneficial Owners

Number of Shares or Units

Common

Stock

Stock

Units

Dennis

A.

Ausiello

2,

362(1)

21,		000(2)	
M.	Anthony		Burns
25,		598	
91,		297(2)	
W.	Don		Cornwell
2,		000(1)	
87,		462(2)	
Frank	A.		D'Amelio
306,		810(3)	
246,		201(4)	
Mikael		Dolsten	
113,		467(3)	
158,		951(4)	
Frances D. Fergusson			
24,		442(2)	
Geno	J.		Germano
122,		593(1)(3)	
101,		969(4)	
William	H.	Gray,	III
29			
115,		670(2)	
Helen H. Hobbs			
13,		136(2)	
Constance	J.		Horner
16,		445	

120,		165(2)	
James	M.		Kilts
2,		259(1)	
74,		615(2)	
George	A.		Lorch
24,		126	
85,		394(2)	
John	P.		Mascotte
3,		940	
24,		442(2)	
Suzanne	Nora		Johnson
10,		000	
32,		963(2)	
Ian	C.		Read
586,		567(3)(5)	
558,		914(4)	
Stephen	W.		Sanger
1,		085(1)	
58,		356(2)	
Amy	W.		Schulman
120,		496(1)(3)	
133,		445(4)	
Marc			Tessier-Lavigne
104			
13,		136(2)	

All Directors and Executive Officers as a group (26)
1, 764, 175
2, 567, 810

(1) Includes the following shares held in the names of family members: Dr. Ausiello, 2, 362 shares; Mr. Cornwell, 300 shares; Mr. Germano, 1, 587 shares; Mr. Kilts, 2, 259 Shares; Mr. Sanger, 1, 085 shares; and Ms. Schulman, 300 shares. Dr. Ausiello, Messrs. Cornwell, Germano, and Kilts and Ms. Schulman disclaim beneficial ownership of such shares. (2) Represents units (each equivalent to a share of Pfizer common stock) awarded under our Director Compensation program (see “ Compensation of Non-Employee Directors” above). This number also includes the following units resulting from the conversion into Pfizer units of previously deferred Warner-Lambert director Compensation under the Warner-Lambert 1996 Stock Plan: Mr. Gray, 60, 063 units; and Mr. Lorch, 15, 809 units. See “ Compensation of Non-Employee Directors-Legacy Warner-Lambert Equity Compensation Plan” above. (3) Includes shares credited under the Pfizer Savings Plan and/or deferred shares relating to previously vested awards under the Company’s share award programs. These plans are described later in this Proxy Statement. (4) In the case of Messrs. D’Amelio, Germano and Read, Dr. Dolsten and Ms. Schulman, includes units (each equivalent to a share of Pfizer common stock) to be settled in cash following the officer’s separation from service, held under the Pfizer Supplemental Savings Plan, and for Mr. Germano also includes 4, 062 units held under The Wyeth Supplemental Employee Savings Plan. The Pfizer Supplemental Savings Plan is described later in this Proxy

Statement. Also includes the following restricted Stock units (each equivalent to a share of Pfizer common stock): Mr. D’Amelio, 219, 415; Dr. Dolsten, 157, 256; Mr. Germano, 96, 664; Mr. Read, 424, 019; and Ms. Schulman, 129, 700. These units are unvested, except that in view of Mr. Read’s age and years of service with Pfizer, a prorated portion of his units would vest upon his retirement. This column does not include the following stock appreciation rights in the form of TSRUs: Mr. D’Amelio, 1, 443, 187; Dr. Dolsten, 934, 389; Mr. Germano, 696, 217; Mr. Read, 3, 589, 507; and Ms. Schulman, 830, 637. See “ 2012 Outstanding Equity Awards at Fiscal Year-End” and “ Estimated Benefits upon Termination” for a discussion of the vesting of restricted stock units and TSRUs. (5) Includes 61, 609 shares held in a Grantor Retained Annuity Trust.

III. External Environment:
Opportunities and Threats (SWOT)

A. Natural Environment

Numerous occurrences of natural calamities, such as earthquake, flash floods, etc. Continuous environmental changes which causes illnesses to human beings and animals. For four consecutive years, Pfizer Inc. ranked as number 1 for the Carbon Disclosure Pfizer ranked 21st of Top 500 U. S. and 20th of Top 100 Global Green Companies by Newsweek. Pfizer named to Carbon Disclosure Leadership Index for fourth consecutive year—health care rankings

of No. 1 on S&P and No. 4 on Global Index. B. Societal Environment

PEST Analysis

The following table will provide a short overview of the political, economic,

<https://assignbuster.com/strategic-management-essay-example/>

social, and technical factors that impact the current market, with a more detailed explanation for each factor afterwards. Note that many factors from the four categories overlap and impact each other along the way.

Political

Economic

health

care

reform

monitoring of drug advertisement and other legal/legislative measures

troubled

economy

high

unemployment

Social

Technical

heightened

consumer

awareness

consumers

worried

about

health

care

costs

consumers

rely

more

on

OTC/generic

drugs

H1N1

availability of molecular entities approved by FDA

The

Political

Factor

Arguably the most prominent factor influencing the market is the health care reform. With over 32 million presently uninsured Americans, the industry will most likely see an increase in drug sales. But the health care reform will also allow the government to keep a closer eye on the drug makers. Due to past experiences with companies trying to influence doctors, an inclusion in the current health care bill would require law makers to report to the government about their financial ties to doctors on an annual basis. Furthermore the legislation would also require the establishment of a

database open to the public to allow patients access to files that would disclose their doctor's allegiance to companies (i. e. if the doctor got paid by a specific company to prescribe their brand drug). The government also attempts to monitor drug advertising to prevent false claims about prescription drugs.

The Economic ; Social Factor

The troubled economy has slowed down drugs sales. More unemployed people also mean a drop in the number of insured Americans. In turn they worry about costs and therefore cut their spending on health care. In a survey published in Marketing Health to Women - U. S., July 2009, 82% of the respondents indicated that they are "somewhat to very worried" that their income won't be able to keep up with health care costs. Due to this, more and more people rely on OTC or generic drugs. The latter are on the rise due to the fact that a lot of patents for brand names have or are about to expire. Consumers are also more aware of possible side effects of drugs, especially concerning medications for depression or other mental disorders. The occurrence of the H1N1 influenza strain had a positive impact on sales numbers, and with the government encouraging the population to get vaccinated, many companies tried to expand their portfolio by adding vaccines, which were also short in supply.

The Technical Factor

The technical factor seems to be the least important one for the current market. No new breakthroughs have been achieved or developed. Expected FDA approvals of new molecular entities in 2010 will result in favorable conditions. C. Task Environment

Industry continues to grow globally.

Threat of New Entrants into Market LOW.

Barriers to Entry are high. They have well-established products and a very well-known brand name. Threat of Substitute Products RELATIVELY LOW.

Because medicines have less substitutes. Rivalry among Established Firms HIGH. It is not new anymore since companies in the industry incurred lots of expenses in order for the research and development of medicines that's why they also try to compete extensively. Bargaining Power of Buyers MODERATE to HIGH.

Bargaining Power of Suppliers LOW to MODERATE.

EFAS Matrix Analysis:

Key External Factor

Weight

Rating

Weight score

Comments

OPPORTUNITIES

Advancements in technology.

0. 01

2. 00

0. 02

New Tools & Tech. for R&D

Increasing awareness about healthcare needs.

0. 07

3. 50

0. 25

Few players in market of non-medicated products as Personal care, Baby care etc. 0. 07

3. 50

0. 25

Enter New Market

Market share can be increased by merging generic drug company 0. 08

4. 00

0. 32

Improve Market Share

Increased incidence of chronic diseases.

0. 06

3. 00

0. 18

occurrence of natural calamities, such as earthquake, flash floods, etc. 0. 02

1. 00

0. 02

Continuous environmental changes which causes illnesses to human beings and animals. 0. 04

2. 00

0. 08

Young Industry- Developed Insulin/ Cancer Drugs.

0. 07

4. 00

0. 28

Economic development of Asia [Chinese generic drug sector]

0. 08

5. 00

0. 40

Joint venture Between Pfizer & Hisun.

THREATS

Some laws and regulations are forcing pharmaceutical companies to give discounts when products are purchased by certain federal and state programs or agencies. 0. 07

3. 00

0. 21

Poor people can't afford Pfizer products (costly Drugs)

0. 06

3. 00

0. 18

Market capture by other players by merger & acquisitions

0. 10

4. 00

0. 40

Merck & Co and China's Pharmaceutical Company

An increase in the no. of safety issues surrounding Viagra.

0. 08

2. 50

0. 20

Litigations through customers negative claims.

0. 03

2. 00

0. 06

Strong competitions in USA

0. 08

4. 00

0. 32

Outside the U. S-[Canada and Europe] have national healthcare coverage
(bargaining power increased). 0. 08

4. 00

0. 32

total score

1. 00

3. 48

IV. Internal Environment

A. Corporate Structure

Pfizer's Executive Leadership Team is the company's senior-most leadership and decision-making management body. It brings together our top leaders to focus on major financial, strategic and operational decisions for the

company. Worldwide Research and Development at Pfizer combines research and technology units that have deep disease area expertise and cutting-edge science and platforms with an efficient R; D operating model, to discover and develop innovative therapeutic programs in small molecules and bio therapeutics, including vaccines. We manage our operations through five

operating segments - Primary Care; Specialty Care and Oncology; Established Products and Emerging Markets; Animal Health; and Consumer Healthcare. Each of these segments is led by an executive with clear accountability for results - from product development following proof of concept to providing access to patients and through to the end of the product's life cycle. These segments are provided with the resources to pursue attractive growth opportunities and to deliver benefits to all who rely on us around the world. With this structure, we are able to rapidly capitalize on opportunities to advance our business by increasing support for successful new medicines, forging partnerships with key customers, entering into co-promotion and licensing agreements, investing in new technologies to add value to our core product offerings, and acquiring new products and services from outside the company.

B. Corporate Culture

They practice the culture of confidence and trust - share their diverse ideas, take initiative, acts with an entrepreneurial spirit, give their best each day and believe Pfizer is a great place to work. Much of the culture came from the CEO and chairman of the Board wherein he takes into consideration

everyone in the company. All of their acquired companies seemed to have accepted the culture of Pfizer Inc. D. Corporate Resources

Marketing

MARKETING STRATEGY OF PFIZER

Pfizer's marketing strategy helps to assess and develop strategies and plans for marketing channels / devices, e-commerce capabilities and marketing operations platforms. This strategy will provide a strategic leadership and creative thinking to the analysis of technology trends and the identification of new opportunities. The following are the different strategies that are laid down at different domains:

STRATEGY DEVELOPMENT

- Define Marketing Solutions Center technology strategy to guide development, execution, and to move people to action
- Develop sound business cases for new technology strategies that improve customer loyalty and increase brand and company value
- Create strategies that can be executed upon in a repeatable, value-add fashion
- Create digital technology roadmaps to guide execution of programs and initiatives
- Collaborate with internal and external colleagues from a range of disciplines including Agencies, Business Partners, Architecture, User Experience Design, and others

MULTI-CHANNEL AND CUSTOMER EXPERIENCE VISION

- Provide assessment and vision of the ideal 'customer experience' by defining key capabilities that differentiate brands and meet consumer needs

- Define potential impact to brands of new and emerging technologies and multi-channel efforts
- Define cross-channel implications and opportunities

ANALYSIS AND EVALUATION

- Analyze business, marketing and digital performance across products, markets, audiences, and channels
- Drive fast, decisive process to evaluate and execute on opportunities
- Create strategic and financial models to articulate business value and build business cases and ROI models of high complexity
- Summarize findings in a way that supports a clear and compelling story

SERVICE DELIVERY

- Lead strategic reviews of solution development; provide clear and timely feedback to ensure experiences, technology and marketing solutions are delivered on-strategy
- Participate in project post-mortems; capture key learnings and develop case studies as appropriate
- Lead communications efforts across senior business and BT stakeholders to include briefing project teams globally
- Facilitate workshops, ideation sessions, decision-making

MEASUREMENT & EVALUATION

- Work with strategy team members to define success metrics and evaluate business impact of digital technology strategies and projects over time
- Define targets for identified metrics
- Develop processes for collecting and analyzing necessary data

PEOPLE & TEAM MANAGEMENT

- Create career development opportunities for staff - develop, mentor and engage talent
- Build strategy team expertise by mentoring team members

and offering training in relevant methodologies, techniques, frameworks, etc.

- Proactively work to improve process for strategy engagements and team workflow

Finance

Revenues decreased 10% in 2012 to \$59.0 billion, compared to \$65.3 billion in 2011, which reflects an operational decline of \$4.8 billion or 8%, primarily the result of the loss of exclusivity of Lipitor in most major markets, including the U. S. on November 30, 2011 and most of Developed Europe in March and May 2012, and the unfavorable impact of foreign exchange of \$1.5 billion, or 2%. Lipitor and other product Losses of exclusivity, as well as the final-year terms of our collaboration agreements in certain markets for Spiriva, negatively impacted Revenues by approximately \$7.7 billion, or 12%, in 2012 compared to 2011

R&D

Pfizer continue to build the world's premier biopharmaceutical R; D organization. Pfizer's aspirations are to deliver unparalleled innovation, the best internal and external science, and industry leading productivity within a vibrant, diverse culture. Pfizer now has broader and deeper disease area knowledge in our Research Units, increased modality and technology capabilities in our Biotechnology Units, and an approach that harnesses our strengths to find the newest, most innovative and valuable medical solutions. Pfizer have the scale, portfolio, talent and capabilities that Pfizer believe will unlock new levels of productivity. Drug discovery requires both disease area and technology expertise. While most in the industry are constrained to primarily focus on one of those dimensions, Pfizer

new model has the breadth and depth of Research Units and Biotechnology Units across R; D that frees us to realize the power and possibilities of these combinations to deliver high impact medicines for patients

Operations ; Logistics

Pfizer Global Manufacturing (PGM) supplies products to Pfizer's businesses. PGM is being transformed into a global strategic supply network, consisting of major plants located in Belgium, France, Germany, Ireland, Japan, Puerto Rico and the U. S. By the end of 2008, we had reduced our internal network of plants over a five year period from 93 to 46. In 2008, as part of our Plant Network Strategy productivity initiative, eight plants were sold or closed in Canada, Germany, Italy, Sweden, Puerto Rico and the U. S. We plan to continue reducing our internal network of plants worldwide to 41 by 2010. It should be noted that often facilities are divested to other companies with an agreement to supply Pfizer for several years. This allows the acquiring company to develop additional business to make the plant sustainable. We never make these decisions lightly, realizing how difficult they are for our colleagues and their families who are impacted. However, we believe that the cumulative benefit to Pfizer will be a more focused, streamlined and competitive manufacturing operation. Quality Operations

As a large global company, Pfizer manufactures products in many countries and markets them in over 150 countries. Our plants are routinely inspected by many regulatory agencies for conformance with regulations. In 2008, we hosted more than 75 regulatory inspections and have not received a single critical observation. With regards to global suppliers of raw materials and products, we conducted onsite quality audits of close to 400 potential and

existing suppliers across the world during 2008. Suppliers who do not meet Pfizer's quality requirements are not permitted to enter or remain in the supply chain until they are able to fulfill the requirements. In limited cases, Pfizer has located experienced quality professionals onsite who provide day-to-day support for a set period of time. Pfizer uses innovative technology to protect the supply chain. The use of sophisticated analytical and tracking tools has been critical in identifying not only counterfeit products but also their sources. Pfizer works closely with government agencies to remove counterfeits from the supply chain thus benefiting the patient population. Pfizer is continuously evaluating opportunities for improving management and oversight of the supply chain. Pfizer has commissioned a panel of external experts to evaluate Quality and EHS systems for managing outsourced manufacturing operations. The objective of the panel is to assure that Pfizer has strong controls allowing continued development and maintenance of relationships with third party suppliers capable of consistently delivering acceptable product quality and appropriately managing environmental, health and safety performance. Pfizer's core competence which is quality is kept dominant in their operations. They upgrade plants in order to keep up with present competition.

Human

Resources

Haven't had any problems with employees and unions since Pfizer Inc. never fails to acknowledge their efforts which helped Pfizer Inc. attain its goals and objectives. Pfizer is consistently recognized as one of the nation's best employers and most admired companies. Pfizer focuses on fulfilling their

mission and values, as well as creating an environment that fosters the growth and development of their employees. Pfizer offers a challenging work environment that provides growth and development. Pfizer respects each employee as individuals, and includes an emphasis on creativity, diversity, and corporate values. Pfizer believes there are six areas of behaviors and attitudes that successful leaders embody. These behaviors serve as a guide for Pfizer to build an even more vibrant, open, and successful culture. Hiring the best-qualified individuals from various areas of study. Create career development opportunities for staff - develop, mentor and engage talent. Build strategy team expertise by mentoring team members and offering training in relevant methodologies, techniques, frameworks, etc. Proactively work to improve process for strategy engagements and team workflow.

Information

Systems

Information system of Pfizer Inc. are well upgraded which lessens their chances of communication fiasco. Pfizer OWN IT! culture has been communicated extensively via colleague engagement and our Pfizer World intranet site.

D. Internal Factor Analysis Summary (IFAS Table)

Internal

Factors

Weight

Rating

Weighted

Score

Comments

Strengths

World's largest drug company holds 13.1 percent of market share 0.09

<https://assignbuster.com/strategic-management-essay-example/>

5. 00

0. 45

Largest animal health business in the world

0. 07

4. 00

0. 28

Brand recognition

0. 02

5. 00

0. 10

Pfizer is a trusted & reliable company

0. 05

3. 50

0. 18

It is no. 1 in research and development (R&D)

0. 09

4. 50

0. 41

Competitive advantage

Quality & safety of products

0. 05

3. 50

0. 18

Positioning

<https://assignbuster.com/strategic-management-essay-example/>

Most of its products are patented

0. 06

3. 50

0. 21

Strong R&D

Follows Open Door Policy

0. 03

2. 00

0. 06

Among top 10 global corporations in diversity

0. 07

3. 00

0. 21

Diversification

Wide-spread retailing

0. 05

2. 50

0. 13

Efficient Sales force

0. 07

3. 50

0. 25

Core competence

Web site is well designed and useful

0. 01

2. 00

0. 02

Weaknesses

Products are expensive because of high cost involved in R&D

0. 07

4. 00

0. 28

Weak presence in African and Australian markets

0. 06

3. 00

0. 18

Market development

Complexity of organizational structure

0. 01

2. 50

0. 03

Need restructure

Spends more on R&D than promotional activities & advertising. 0. 05

2. 00

0. 10

Company strategy

Lipitor and Caduet lost exclusivity in the U. S. in November 2011. 0. 06

5. 00

0. 30

Unexpected side effects of drugs.

0. 05

3. 50

0. 18

They follow global policy (Not local policy).

0. 04

2. 50

0. 10

Total Scores

1. 00

3. 62

V. Analysis of Strategic Factors

A. Situational Analysis (TOWS)

INTERNAL

FACTORS

(IFAS)

EXTERNAL

FACTORS

(EFAS)

Strengths

- 1) World's largest drug company holds 13.1 percent of market share.
- 2) It is no. 1 in research and development (R&D).
- 3) Largest animal health business in the world.
- 4) Efficient Sales force.
- 5) Among top 10 global corporations in diversity.

Weaknesses

- 1) Products are expensive because of high cost involved in R&D.
- 2) Lipitor and Caduet lost exclusivity in the U. S. in November 2011.
- 3) Weak presence in African and Australian markets.
- 4) Unexpected side effects of drugs.

Opportunities

- 1) Economic development of Asia (Chinese generic drug sector).
- 2) Market share can be increased by merging generic drug company.
- 3) Young Industry- Developed Insulin/ Cancer Drugs.
- 4) Increasing awareness about healthcare needs.
- 5) Few players in market of non-medicated products as Personal care, Baby care etc.

Threats

- 1) Market capture by other players by merger & acquisitions.
- 2) Strong competitions in USA
- 3) Outside the U. S-[Canada and Europe] have national healthcare coverage (bargaining power increased).
- 4) Some laws and regulations are forcing pharmaceutical companies to give discounts when products are purchased by certain federal and state programs or agencies.

B. Review of Current Mission and Vision Objectives

Current mission are still coherent to their goals. It still appears appropriate in their current strategies. Objectives as much as possible are being quantified in order for the company to properly initiate strategies.

Competences

Mission

Vision

Customers

Yes

Yes

Products & Services

No

Yes

Markets

Yes

Yes

Technology

No

No

Survival Growth Profit

Yes

No

Philosophy

Yes

Yes

Self concept

No

Yes

Public Image

Yes

Yes

Employees

Yes

Yes

VI. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives

Growth through Concentric Diversification. Acquire Company in a related industry. [Pros]: Product/Market synergy created by acquisition of related company [Cons]: Since competition is high in the industry buying out companies will mean a need for a lot of money since the companies in the industry are high in price. Growth through Horizontal Concentration. Maintaining its expansion of operation to other geographic locations and/or by increasing the range of products and services offered to current markets. [Pros]: It would mean a more diversified product offering which is acceptable given the industry they are in. [Cons]: Additional costs may be incurred.

Pause/Proceed-with-caution strategy. A temporary strategy in which Pfizer would tend to rest for a while before continuing a growth strategy.

[Pros]: It gives the company time to focus and improve on their current performances, acquisitions and the likes. [Cons]: Because of steep

competition in the industry, other companies might outgrow Pfizer. Product development marketing strategy. Since new illnesses are present nowadays it would be good if Pfizer would make new drugs that would cure these illnesses.

[Pros]: It would increase market share.

[Cons]: Additional costs may be incurred.

B. Recommended Strategy

With the aforementioned strategies, I recommended the following strategy for Pfizer Inc.: I think that it would be better for the company to have this Pause/Proceed-with-caution strategy for a while to have a focus on their current performance. It would also give them time to strengthen the weaknesses of their performances. The company should employ the Product development marketing strategy in order to be competitive in the market. Offering different products may aid to it. Since one of Pfizer Inc.'s strategies is to acquire related companies, it would still be best to apply the growth to Growth through Concentric Diversification.

VII. Implementation

Pfizer Inc. should:

For the Pause/Proceed-with-caution strategy phase, budgets, programs, and procedures in order to observe the performance of the company and look for weaknesses to be able to improve on it. In order for the Product development marketing strategy to pursue, R&D should be continued to be upgraded and maintained. Board should be keen in their decision and should acquire studies first so that Growth through Concentric Diversification will be realized with less problems in the future.

VIII. Evaluation and Control

A. Given the current performance of Pfizer Inc., they are very capable of applying the said strategies but they still need to review their mission, vision, goals and objectives in order for them to be aligned. B. The corporate culture that is present should be visible so that employees would feel that they are given importance and that their insights are also valuable. C. With its top caliber top management with instilled good values, it should be their job to show and instill in the minds of the workers the values of the company. D. They could also evaluate their rules and policies.

References

http://www.pfizer.com/files/corporate_citizenship/cr_report/manufact_supply.pdf http://www.pfizer.com/investors/financial_reports/annual_reports/2012/downloads/pfizer_12ar_ensuring_global_supply.pdf <http://www.theofficialboard.com/org-chart/pfizer>
http://www.pfizer.com/files/investors/corporate/blue_book_english.pdf