

Eli Lilly in India: rethinking the joint venture strategy



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1. Was the country wrong? Why India? No, the country was not wrong. India had a large number of populations. There were 800 million people in India and about 200 million to 300 million of them were middle class. It implied that India had a huge market. Lilly could expand the potential opportunities and get profits in India. In addition, foreign direct investment was encouraged by increasing the maximum limit of foreign ownership to 51 per cent (from 40 percent) in the drugs and pharmaceutical industry. (Political strategy was different from important substitution to an export-driven economy.)

2. Was deciding to partner wrong? Is partnership a good or bad thing? No, deciding to partner was not wrong. Lilly was a name that most Indian people did not recognize. However, Ranbaxy was the leader in India. Lilly could use Ranbaxy's name to make Indian people know it. In addition, Lilly could use their distribution network. Ranbaxy's help was used for getting government approvals and licenses. Partnership probably is good. In the case, Lilly utilized many advantages from Ranbaxy, so the partnership with Ranbaxy was helpful for Lilly.

3. Was the partner choice wrong? No, Eli Lilly didn't make partner choice wrong. Lilly chose right partner with Ranbaxy. In terms of distribution network, Lilly didn't need to spend much money setting up a distribution network. They just paid Ranbaxy for the service. Therefore, Ranbaxy was very helpful.

4. Was the JV structure wrong? No, the JV structure was not wrong. The company want to grow fast own technology and extend their business. They

must to search who could help outside the country. That is efficient way to raise their competition ability. And the JV is fair because Lilly obtained 50 percent of shareholding and Ranbaxy obtained the other 50 percent of shareholding, they had equal equity ownership. Furthermore, in the JV, each company had 3 directors for the board of directors and one director for the management committee.

5. Was the JV leadership wrong? No, the JV leadership was not wrong. Chris Shaw was the new managing director in the JV. He hired a senior level manager and created a team to develop standard operating procedures (SOPs) for ensuring smooth operations. Because of his leadership was right, it brought stability to the fast-growing organization.

6. What was the final outcome of the JV? The new regulations allowed Lilly to operate as a wholly-owned subsidiary in India. The government release for foreign company, so Lilly doesn't need Ranbaxy help anymore.