Eli Lilly & Company- 2011

Individual Case 4 (Includes Improvements to Cases 1-3)

BAM479-OB: Strategic Management

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**Eli Lilly & Company-2011**

**Case Statement**

Eli Lilly and Company encounter decline in its business environment for the next few years due to an intense contestant in the pharmaceutical industry and the making of similar generic drugs at low prices. Therefore, the company must reach and increase its global economics expectations to boost its performance.

**Introduction**

Eli Lilly and Company were founded in the year of 1876 in Indianapolis, IN by Colonel Eli Lilly, a pharmaceutical chemist, who was 39 years old by that time. Colonel Lilly was a member of the army during the US Civil War. He committed himself to creating and developing innovative medications to help others. According to Pharmaphorum article, that Colonel Lilly was disappointed by the poorly prepared drugs of his day and assured himself that he would “Found a company that manufactured pharmaceutical products of the highest possible quality.” He wanted his development of medicines to reflect high-quality drugs that suggested by the doctors; he wanted to “Develop only medicines that would be dispensed at the suggestion of physicians rather than by eloquent sideshow hucksters.” And his company will be based on the science and research development of the day. His promise came into life by finding different treatments for many incurable diseases. However, Eli Lilly, a strong business that has remained in the industry for more than 140 years. Lilly was determined to be as one of the most top firms in the world.

Moreover, Colonel Lilly commitment was to enhance the quality of existing products and then expand to include the improvement of discovery and manufacturer of many better pharmaceuticals. According to our text, the development of those drugs offers neuroscience products to treat schizophrenia, manic episodes, and bipolar maintenance; depression and diabetic peripheral neuropathic pain; attention-deficit hyperactivity disorder in children, adolescents, and adults. The company also produce drugs to treat type 2 diabetes. Moreover, the company's top five drugs are Zyprexa, Cymbalta, Alimta, Humalog, and Cialis.

Furthermore, Lilly has a sales office in the United States and 72 other worldwide location and manufacturing in 13 countries and research in eight nations. Lilly's future achievements depended on making patients innovative medications to encourage long-term growth. The first success that the business accomplished was the coating of tablets using gelatin. In the year of 1923, the company scored another achievement by offering (Iletin) the first most significant insulin production that used in treating diabetes.

All throughout in the 1950’s, several improvements were included such as the discovery of the oral penicillin and introduced the two critical antibiotics that known as Erythromycin and Vancomycin. By the year of 1988, the antidepressant Prozac was produced and had become a significant medical success in the 1990s. Many people reported that they were relieved from the pains of depression. Prozac had minimal side effects, and about two million people had taken medicine by the summer of 1990.

Also, in the year of 2000, the drug Zyprexa was developed for treating schizophrenia, and severe manic side of bipolar situations. Then, by 1996 the drug Gemzar was introduced to be the first medicine to cure pancreatic cancer. According to Fundinguniverse, " Two years later the FDA approved using Gemzar for nonsmall-cell lung cancer and by the year of 2002 over 85 countries had adopted Gemzar, and almost 80 percent of U.S. patients with pancreatic cancer used Gemzar". However, Lilly reminded dedicated to the business vision and mission through the years. Many people put their trust in their medications because they had seen positive results. They continued to be one of the successful and largest pharmaceutical company. Now, let's have an idea of how they made a significate success throughout the years with their great strategic plan that made their vision and mission for the company to be one of the most top businesses in the market.

**Vision Statement**

To be the best and leading drug company the world for the production of new medicines that encourage people to live a healthier and longer life.

**Mission Statement**

Eli Lilly & company respect and appreciate ourselves for providing excellent, innovative medicines development and research (7) by producing the best drugs to treat different diseases/disorders in the society (5) for our consumers (1). By pursuing our mission and purposes, we operate worldwide (3) to analyze data on medicines for severe illnesses. We use several great types of equipment (4) and people to guarantee the better encouraging product development for every person. At Eli Lilly & Company, we believe that excellent standards lead to satisfying business and try to exceed all government laws in each aspect of medicine development (6). We think that important leadership management can develop great responsibility and we concentrated on raising awareness and knowledge among our clients to encourage them to prevent any diseases before it happens. We also welcome a diverse work environment (9) with a broad understanding in which the health, professional advancement, security, and maintaining the respect of our workers (8) are our essential priorities.

**Mission Statement Components**

Components below are identified in mission statement with numbers in parenthesis. They are listed here in the same book order:

1. Customers

2. Products or services

3. Markets

4. Technology

5. Concern for survival, growth, and profitability

6. Philosophy

7. Self-concept

8. Concern for public image

9. Concern for employees

**Rationale for Components Used**

The business decided to use all of the nine factors in the mission statement because we think that utilizing every component help in creating a great mission statement for Eli Lilly & Company.

We wanted to include the product development, customers, and employees in our mission statement because we want to allow the customers know that we value their respect for us and their trust and safety are our highest priorities.

Demographically, the business offers its drugs products globally so that it can reach to many people to prevent and cure any illnesses. Also, the market element is critical because we want the medicine to be available in every place around the world. On the hand, using the modern technologies and equipment should be used when creating new drugs or doing any researches to ensure the success of our product developments.

For us, the most critical aspect is to make medicines that help people to live a healthier life. And to do this, the company will make sure that our responsibility is to have the leading drugs products at a fair cost. At Eli Lilly & Company, our philosophy is essential to us because we try to create positive impacts on people by offering them excellence for every society. Lastly, I believe that welcoming, diverse environment, professional development, and to have the respectful manner of our employees and customers are our most significant priorities as well.

**Eli Lilly & Company essential Milestones**

* 1876- Colonel Eli Lilly founded the global research company, Lilly Pharmaceuticals in Indiana State.
* 1886- Colonel Lilly hired a young chemist to help him to discover new and enhanced methods for the company's products and also to work on the development of better and new pharmaceuticals.
* 1920’s - the world’s leading insulin (Iletin) a treatment product for diabetes was available.
* 1920’s - Lilly began a research plan to find a medication for a life-threatening blood disease called pernicious anemia.
* 1926- Lilly sales reached $9 million, and the business had created more than 2,800 various products.
* 1940’s - Lilly was one of the leading companies to establish a mass-produce penicillin.
* 1950’s- the company, launched two different antibiotics; erythromycin and vancomycin.
* 1960’s-Lilly had found the cephalosporins which are the first line of oral and injectable antibiotics in a different and new form.
* 1970’s- another medicine of the cephalosporin called Ceclor was launched, and it was the world’s bestselling oral antibiotics.
* 1968- The Eli Lilly and Company established a separate a tax-exempt private charitable foundation that was financed by Lilly’s corporate profits. According to Pharmaphorum, this foundation was created to “Improving the lives of people who lack the resources to obtain quality healthcare, with a primary focus on low and middle-income countries.”
* 1980’s - The first significant foundation of treatments for clinical depression was introduced. Also, Prozac (fluoxetine) entered the market in the same year.
* 1990’s 1990's - there were many developments of many innovative new products. This development introduced the following drugs: Gemzar was developed to treat the pancreatic and non-small-cell lung cancer, schizophrenia drug Zyprexa, and fast-acting insulin product Humalog. Also, Evista was introduced to be the first drug that is used to prevent and treat postmenopausal osteoporosis.
* 2004- FDA-approved the first and only drug in the US that treats bipolar depression called Symbyax.
* 2012 – Lilly made a great success in earning a net sale of $22, 603 million, with the dividend paid per share at $1.96.
* 2013 and above - Lilly has known for its dedication to promote and enhance the lives of everyone. According to Pharmaphorum, Lilly was named in DiversityInc’s “Top 50 Companies for Diversity” listing, that identifies corporate diversity best practices for three years in a row.
* 2015- Lilly had donated about $13.2 million to United Way, maintaining the dedication to the charity that was established by Colonel Lilly in the 1800s.
* 2016- Lilly celebrates 140 years of commitment to the caring for others with the discovery of many drugs to make life healthier and better for people around the world.

These milestones indicate a dominant development for Eli Lilly & Company to be one of the most significant pharmaceutical company in the world. The business maintained the use of high-quality equipment and strategies to discover and research new medicines that treat different diseases. Lilly's mission was accomplished enough by making those medicines to help people live a healthier and longer life.

The company provided excellent customer services by offering its products around the world. They reached many places to help others heal any illnesses. Also, the business committed to providing consumers better and discoveries in the pharmaceutical industries. However, as mentioned above that Eli Lilly and Company was the first to establish different antibiotics to treat various diseases. The company also developed a foundation for improving the lives of people who needed the support to get quality healthcare in many places around the world.

**External Factor Evaluation (EFE) Matrix**

An External Factor Evaluation is a method that used to review and evaluate the company's external factors such as economic, social, cultural, demographic, political, environmental, legal, technological, and competitive information. These factor evaluations prepared through the opportunities and the threats that are affecting the business. Since Eli Lilly & Company has opportunities in the external factors and has threats that could influence the company, the firm needs to recognize each of them and have an active method to handle those factors. However, the table below is the (EFE) matrix for Eli Lilly & Company.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | EFE Matrix for Eli Lilly & Company | | | |
|  | **Key External Factors** | **Weight** | **Rating** | **Weighted Score** |
|  | ***Opportunities*** |  |  |  |
| 1 | Technology improvement. | 0.08 | 3 | 0.24 |
| 2 | Opportunities in developing markets. | 0.06 | 1 | 0.06 |
| 3 | People hope to live longer. | 0.04 | 2 | 0.08 |
| 4 | The increase of incurable illnesses. | 0.06 | 3 | 0.18 |
| 5 | Global pharmaceutical sales are expected to increase its sales by five to seven percent in 2011. | 0.05 | 2 | 0.10 |
| 6 | Increasing the awareness of healthcare requirements. | 0.06 | 4 | 0.24 |
| 7 | New products and an aging population create new opportunities for industry in the future. | 0.04 | 2 | 0.08 |
| 8 | The drug marketing system is so dynamic throughout the world | 0.03 | 4 | 0.12 |
| 9 | The development of innovative medicines at lower costs. | 0.05 | 3 | 0.15 |
| 10 | The growth in production for innovative of new drugs for different treatments. | 0.03 | 1 | 0.03 |
|  | ***Threats*** |  |  |  |
| 1 | Higher effective tax rate. | 0.04 | 3 | 0.12 |
| 2 | Development of same known drugs by competitors. | 0.05 | 4 | 0.20 |
| 3 | Drug discovery and development often takes years to complete and could cost more than $500 million with no guarantee of eventual approval for the market. | 0.08 | 4 | 0.32 |
| 4 | The FDA demands III phases of the human experiment before a drug can be authorized. | 0.04 | 3 | 0.12 |
| 5 | The largest competitors company (Pfizer) having eight percent of the global pharmaceutical market. | 0.04 | 3 | 0.12 |
| 6 | The process from discovery to the regulation of drugs can take from 12 to 15 years or even longer to market new medicines. | 0.07 | 4 | 0.28 |
| 7 | Increase barriers to drug discovery and development. | 0.03 | 2 | 0.06 |
| 8 | For every 5,000 compounds discovered, only one ever reaches the pharmacist’s shelf. | 0.05 | 3 | 0.15 |
| 9 | Less than a third of marketed drugs obtain sufficient commercial success to regain their R&D investments. | 0.04 | 4 | 0.16 |
| 10 | The drug discoveries and developments take years to finish. | 0.06 | 2 | 0.12 |
|  | **Total** | **1.00** |  | **2.93** |

Based on the results of the EFE Matrix of Eli Lilly & company evaluation as specified in the report above. It earned a weighted score of 2.93. However, based on the analysis of the information that the external factors could impact the business; therefore the company has to recognize the opportunities and threats to avoid any problems in the future. Also, the weighted score explains that the firm had a significant influence on its possibilities and threats in producing new drugs more quickly.

As mentioned in the table, it shows that the substantial factor is the technology improvement that enables the company to create and produce new drugs faster and it also allows the business to be connected with its consumers, suppliers, and the global companies easily.According to Lilly, “The Lilly Cambridge Innovation Center will allow leading life science experts and organizations to explore how emerging technologies and connectivity can advance drug delivery and device innovation to improve patient health”. Therefore, we can understand that technology advancement is an essential factor for the business to improve patient health.

Also, as mentioned in number two in the table above that people nowadays want to live longer and try a new medication to accomplish that. Many people are getting diseases that need to be diagnosed and treated at a younger age, so they can prevent any risk to their health in the future. According to NASCAR, “The goal of Lilly Diabetes - driving awareness and education.” Therefore, Eli Lilly and company, must aware everyone about any diseases side effect and that they can provide the best medications to treat it. This gives the opportunity to the business to gain the customers trust, and people will understand that our company and services are made to help them.

**The Internal Factor Evaluation (IFE) Matrix**

The IFE matrix below is a strategy tool that is illustrating an internal strategic-management report of Eli Lilly & Company. This tool reviews and evaluates the main strengths and weaknesses in the functional areas of the company. It also provides a data for identifying and assessing the relationship between the areas of the business.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | IFE Matrix for Eli Lilly & Company | | | |
|  | Key Internal Factors | **Weight** | **Rating** | **Weighted Score** |
|  | ***Strengths*** |  |  |  |
| 1 | Eli Lilly is the 10th-largest pharmaceutical company in the world. | **0.09** | 4 | 0.36 |
| 2 | The business has an excellent level of customer satisfaction. | **0.10** | 4 | 0.40 |
| 3 | The business represents a strong brand image. | **0.06** | 2 | 0.12 |
| 4 | Eli Lilly has about 70 potential new drugs in human testing and a more substantial number of projects in preclinical development. | **0.07** | 3 | 0.21 |
| 5 | Eli Lilly has successful strategies to connect with the customers globally. | **0.06** | 3 | 0.18 |
| 6 | Robust capability in creating essential connections and marketing alliances with other companies | **0.05** | 2 | 0.10 |
| 7 | The business sells drugs all over the world. | **0.08** | 4 | 0.32 |
| 8 | Lilly offers animal health products. | **0.04** | 2 | 0.08 |
| 9 | The company produces effective and high-quality formulated drugs. | **0.06** | 3 | 0.18 |
| 10 | Skilled and experienced employees in highly developed laboratories. | **0.07** | 1 | 0.07 |
|  | ***Weaknesses*** |  |  |  |
| 1 | Need further investment in new technologies | **0.02** | 2 | 0.04 |
| 2 | Drop in selling its products because of new generic medicines. | **0.03** | 1 | 0.03 |
| 3 | Eli Lilly has more sales in the United States than the rest of the world combined. | **0.06** | 4 | 0.24 |
| 4 | Between the years of 2010 and 2012, Eli Lilly had lost U.S. patent protection on medicines that considered for 46 percent of its 2010 revenue. | **0.04** | 1 | 0.04 |
| 5 | Weak in mission and vision strategies to remain in the drug manufacturing business. | **0.03** | 1 | 0.03 |
| 6 | High erosion rate in the workforce | **0.02** | 4 | 0.08 |
| 7 | Not very successful at combining firms with different work environments. | **0.03** | 2 | 0.06 |
| 8 | Their daily inventory is extensive compared to their competitors. | **0.02** | 1 | 0.02 |
| 9 | The company stopped the production of Alzheimer late-stage drugs. | **0.04** | 2 | 0.08 |
| 10 | The business's market shares fragmented which it can stop them from growing to be the market leader. | **0.03** | 1 | 0.03 |
|  | **Total** | **1.00** |  | **2.67** |

**Why is this internal factor key?**

The IFE Matrix is a tool that used for evaluating the strength and the weaknesses of companies. The IFE Matrix above was summarizing the critical internal environment of the business of Eli Lilly & Company. The table shows the strengths as well as the weaknesses that practiced within the firm. While looking at those factors, it indicates that Eli Lilly needs to work on improving and developing new technologies to help them create new and different drugs for different diseases. Therefore, the IFE Matrix is an essential factor for the company to look at many areas on where they can change and improve their products/services. Also, there are areas that the business was doing great at such as gaining the customer's satisfaction by maintaining their dedication to making other's lives healthier.

**Why does this factor carry this much weight?**

The factoring of the IFE Matrix displays that much of weight because Eli Lilly & Company can evaluate their business to understand and know how well they are succeeding. The Matrix above showed the industry has a weighted score of 2.67 which indicates that the company is in a stable and functional position. However, the most internal factor that was reflected a significant strength (4) for Eli Lilly because customer's satisfaction around the world was one of the primary purposes of the company. Eli Lilly offered their products in different places to enhance and treat various illnesses. With that said, the business has about 70 potential new drugs in human testing and a more substantial number of projects in preclinical development (#4), and it represented an essential strength of a critical factor rating (0.07). This significant factor will provide the company an excellent chance of making more and developed discoveries of new drugs.

However, there are also weaknesses that could affect the business negatively. One of those weaknesses is that Lilly has more sales in the US than the rest of the world rated (0.06). The company needs to expand its business globally, so they can sell their products for many different cultures. They also need to improve their companies’ connections to enhance their market shares. However, each element of those factors is ranging in different rates because this shows the company's work in different areas.

Another critical weakness that Eli Lilly needs to consider is in developing a drug for Alzheimer late-stage drugs rated (0.04). The business needs to improve new medications that treat Alzheimer. According to New York Times, "An experimental Alzheimer’s drug that had previously appeared to show promise in slowing the deterioration of thinking and memory has failed in a large Eli Lilly clinical trial, dealing a significant disappointment to patients hoping for a treatment that would alleviate their symptoms." Therefore, it is an essential element for the business to find new ways and researchers to create new hopes for people.

**Why this rating for this factor?**

After reading the case of Eli Lilly and Company. The rating for each part plays an essential role in the business. The higher the score, the more critical factor that the company operates in the industry. Most of those rates were scored higher on the strength of the company than the weaknesses. It indicates that the business is stable, and they need to have some improvement to grow and be the first top leading pharmaceutical company in the world. Eli Lilly also has to consider the lower scores and work on developing new methods to avoid any failure for the company. The company already represent a right brand image, and this image needs to main actively in the industry.

**How should management interpret the total weighted score?**

As mentioned above, Eli Lilly & Company overall rates of 2.67 in the Internal Factor Evaluation and 2.93 in the External Factor Evaluation. These scores mean it is over average in its capability to work on expanding its opportunities and strengths with itself and the industry. Eli Lilly needs to consider its ability to try developing new strategies for selling their products more globally. The business also needs to have technology advancement to reach out and deliver their drugs to many customers as possible. This method will build the trust and bring the relationship closer to the business and the consumers. However, Eli Lilly & Company is in a high market position because the company been rated to be one of the most significant pharmaceutical business in the world. The firm is still maintaining its commitment to their loyal customers, and with over 140 years in business, the management of the company will have to work on creating development to increase from its success in the market industry. The management will also need to build their business strength to enhance the weaknesses, so it can help the company develop a better vision for its future.

**SWOT Analysis**

SWOT analysis is a crucial strategic planning method that can be used by Eli Lilly and Company directors to do a specific review and evaluation of the company. It is a helpful method to assess the present Strengths (S), Weakness (W), Opportunities (O) and Threats (T) that is facing Eli Lilly current business situations.

The Eli Lilly is one of the best companies in its industry. The business manages its leading positions in the market by thoroughly analyzing and evaluating the SWOT analysis. The SWOT analysis a very interactive method and needs sufficient coordination between different areas within the company to help the business to know its essential internal factors. Those departments such as finance, marketing, operations, management, etc., must be considered when making this analysis. However, the below SWOT analysis will make possible alternative approaches that Eli Lilly can consider when moving forward with its development/discoveries.

**SO Strategies**

SO (strengths-opportunities) strategies perform by using the business's internal strengths to make an influence on the external opportunities. Eli Lilly and Company has critical Internal Factors of selling drugs all over the world and the external opportunity of developing markets by having a secure distribution system that can expand the majority of its markets. This approach would include building a robust dealer relationship that can help in selling the company's products and also invest in teaching the sales employees, so they can have the information of all merchandise to explain to the customer how he or she can benefit from it.

The development of innovative medicines at a reasonable cost is another SO approach that the company needs to take into consideration. Eli Lilly has an internal strength that includes having experienced workers in highly developed labs. This strategy will give them an advantage through maintaining their high-quality products and by achieving their purposes through producing better products in at low cost. According to Statista, “In 2011, Eli Lilly's top product Cymbalta generated almost 4.2 billion U.S. dollars of revenues”. This means that their strategy of making great development medicines at a reasonable price will give the opportunity for business to sell its products to many people as they wished, and they will have the chance to expand the awareness of many illnesses using their products.

**WO Strategies**

The WO (weaknesses-opportunities) is the elements where Eli Lilly can develop. This strategy improves the internal weaknesses areas where industry can expand by taking advantage of external opportunities for moving to a competitive position in the market.

Eli Lilly current weaknesses involve an investment in new technologies. The business needs to invest more money in technology to organize the operations of their development. At this time, the advance in technologies not included with the idea and purposes of the company.

This strategy informs us that the business needs to work on having more advanced technologies to expand their business. According to Pharmaceutical-technology, “Eli Lilly would like to be in a position to play a larger role in the biotech pharmaceutical market in the future. Steven Paul, Lilly’s executive vice president of science and technology, said: “Inside these new buildings, the latest in highly sophisticated technologies and equipment for conducting biotech research and development have been incorporated. Taken together – the facilities, the technologies, and an interdisciplinary approach – we’ve created a new model for Lilly that gives the company a competitive advantage in bringing breakthrough medicines to patients in a more efficient, productive, and dependable manner.” Therefore, this strategy will give the business a significant advantage in bringing the best medicines to the patient in more better ways.

**ST Strategies**

The ST (strengths-threats) is a strategy that benefits the business's strengths to prevent the consequence of the external threats. Eli Lilli provides efficient and high-quality formulated drugs that are developed by skilled employees. Having the drugs available when the customers need it, is a tremendous strategic prospect because Eli Lilly is one of the most excellent pharmaceuticals company in the world that had made discoveries on new drugs to treat different illnesses around the world. Eli Lilly will use its strength in drug production to benefit from the external threat of development of same known drugs by competitors. The new innovative methods can support the business to create a better and same known drug at a higher level of development and to advertise it using the company’s current customers.

**WT Strategies**

WT (weaknesses-threats) is a strategy that works carefully to overcome internal weakness and bypass the external threats. Eli Lilly has high erosion rate in the workforce compared to its competitors. The business has to work on consuming a lot of training and developing their employees to avoid any better development by its opponents. This threat can make Eli Lilly lose many consumers and suppliers due to this attrition. According to Lilly, "Lilly requires ongoing training and education of its employees on the application of the Lilly values and individual obligations under applicable legal requirements and company policies." Therefore, the business must keep on providing targeted training in some areas to its employees whose work functions are influenced by these risk areas.

**Industry Analysis**

Porter's Five Forces is a strategic, powerful tool that helps the strategic managers in evaluating the industry in which their businesses operate in determining strategies to stay in a strong position in the market. It also benefits the firms to identify strategies to gain an advantage by knowing the competitiveness of the business situation or understanding the markets that might influence the potential profitability. This method will support the business by being able to change the approaches they need and take advantage of a strong position or develop a weak one and avoid using incorrect steps in future.

The Porter's Five Forces below center on how Eli Lilly and Company can develop sustainable competing advantages in drug businesses. The managers at Eli Lilly and Company will use Porter Five Forces to establish an essential position within the drug businesses and explore valuable opportunities in the Healthcare field.

1) Threats entry of potential/new competitors. (LOW)

2) A degree of rivalry among existing competing firms. (Best/high value)

3) Bargaining power of customers. (Medium)

4) Bargaining power of suppliers. (Low)

5) Potential threats of developing substitute products. (Best/high value)

**Threats entry of potential/new competitors**

New entrants of potential/new competitors in drug businesses are low, but it can also change due to different influences that pharmaceutical companies might affect the business. Therefore, Eli Lilly and Company can resolve this threat by decreasing the costs of the products and implementing new value plans to gain more consumers. Eli Lilly and Company must handle all those threats and create powerful strategies to challenge its potential competitors.

On the other hand, even if there are businesses that are not currently recognized as a threat to Eli Lilly and Company, a merger or acquisition with any drug development and research business or building partnership with another drug firm it could turn into a competitor to Eli Lilly. For example, a medical drug business can take advantage of merging with Eli Lilly through gaining information and knowledge on how Eli Lilly manages its business and then can leave Eli Lilly and use the same ways or methods to develop and gain customers. However, this threat got decreased by significant exploration and development expenses that are required to enter the market successfully.

Eli Lilly’s focus on a comparatively narrow business of drugs and antidepressants which could reduce the risk of new entrants, but different products which represent a significant portion of company’s sales such as insulin are exposed to a higher threat of new entrants of new competitors. The requirement of getting licenses also decreases the risk of further entrants. The review above leads to the conclusion that the threat of new entrants is still low, but Eli Lilly must consider new ways to avoid any of these risks.

Furthermore, Eli Lilly and Company can manage these threats of new/potential entrants through innovating different and unique products and services that represent the company's purposes in different ways. The innovation of new products brings not just new consumers to the business, but also provide the old buyers the reason to purchase Eli Lilly's products again. According to Info Entrepreneurs article, “developing entirely new and improved products and services - often to meet rapidly changing customer or consumer demands or needs”. Also, investing funds in research and development could lead the new entrants to the decision not to join a robust industry where the established experts such as Eli Lilly and Company keep representing its business in positive way. It significantly decreases the opportunities for the new firms for not to become new players in the industry.

**Rivalry among existing competing firms**

The degree of rivalry among existing competing firms is at a high value in this industry, it will drive the business to lower its prices. But since, Eli Lilly and Company works in a pretty competitive drug business. It means that this rivalry could impact on the long-term profitability of the company. However, the competitiveness is somewhat different in pharmaceutical companies, because of the high expenses of research and development that could influence the appearance of new competitors. Also, rivals frequently are concentrated on a small market part of a medication.

Therefore, Eli Lilly and Company can manage the intense rivalry among existing competing firms in drug industry through creating strategies to create different products so that it can challenge better. Also merging with competitors to expand the business size instead of competing with them, could increase the market development within the industry.

**Bargaining power of customers**

Customers are usually challenging a lot. They want to get the most excellent products that are available but pay the lowest prices. This kind of challenges could influence on Eli Lilly and Company profitability in the long term, because the business cannot continue lowering its products for the customers due the market changes and costs that might affect the company in the future. On the other hand, patients have lost their ability to bargain for lower prices nowadays because the rates of the development and research in generic drugs had increased. According to Consumer Reports “rising drug costs pose special challenges because, unlike many other expenses, drugs usually aren’t optional purchases. But even if the consumers of Eli Lilly and company are loyal to them, they would still look for discounted products to purchase.

Also, healthcare companies get the drugs in large quantities, which this could influence on pharmaceutical businesses to provide some discounts as well. But since Eli Lilly has rivals with comparable products, it is evident that the bargaining power of customers is medium for the business. Customers with the smaller amount of purchases don't influence the price strategy; but wholesale customers could affect the pricing strategy for sure. According to Consumer Reports, “people who saw drug price increases were also more likely to make tough financial choices and, in some cases, even delay retirement to maintain their healthcare coverage. Therefore, it is essential that customers who are buying drugs for themselves have healthcare insurance to cover the cost of the products and thus those people are not involved in bargaining for lower prices.

However, Eli Lilly and Company can manage those problems through creating some robust strategies that help the business gain many customers. This method will be useful in a couple of ways. It will decrease the bargaining power of the customers, and it will also give an opportunity to the business to organize its marketing and product development and process.

On the other hand, customers always look for better and high quality of products; if Eli Lilly and Company keep on innovating new or different products, then it can narrow the bargaining power of consumers. By this method, the new products will decrease the desertion of existing consumers to the competitors of Eli Lilly and Company.

**Bargaining power of suppliers**

Most of the companies in the drug industries get their new materials from various suppliers. Suppliers in a great situation can reduce the margins Eli Lilly and Company can obtain in the business. Also, dominant suppliers in healthcare area use their bargaining ability to achieve higher prices from the companies in drug manufacturers. Therefore, the whole influence of dominant supplier bargaining power is that it reduces the entire profitability of drug companies.

Furthermore, the bargaining power of suppliers at this point at a low value. It means that there is a chance to change supplier at low charge and find different suppliers with different brands that offer lower costs. According to Entrepreneur article, “work as hard on building a good supplier relationship as you do building a relationship with your customers. And be loyal to your good suppliers. They are essential to your business's good health and growth. They are a nuanced bootstrapping strategy.” Therefore, in Eli Lilly’s situation, it is normal that the power of suppliers is a reversal of the customer's control. This gives a clear vision that Eli Lilly and Company must create a robust supply connection with various suppliers so if the prices of the raw materials are high in one supplier then the company will be able to shift to another supplier that offers lower and better costs.

**Potential threats of developing substitute products**

Since there are many similar products and services satisfy consumer demand in many ways, drug business also experiences this kind of threat in its industry. The need for generic medications rather than brand-name medicines has grown because of the prices, but customers need to understand that generic drug business does not invest enough on its research and development process which this makes them sell their products at a lower price. According to FDA “to further facilitate generic drug product availability and to assist the generic pharmaceutical industry with identifying the most appropriate methodology for developing drugs and generating evidence needed to support ANDA approval, FDA publishes product-specific guidance describing the Agency’s current thinking and expectations on how to develop generic drug products therapeutically equivalent to specific reference-listed drugs. “Therefore, customers must understand that brand-name products are safer to take because those we developed according to the researchers and development process.

However, since the potential threats of developing substitute products or services are high in value, then the company can provide an advantageous method that is different from the existing offerings of the market. Eli Lilly and Company can manage these methods through understanding the consumers need rather than what the customer is purchasing. Especially with the pharmaceutical industry because the customer needs something that cures the diseases.

Also, offering the services to the customers rather than just trying to sell them the products helps the business to gain their customer loyalty. Eli Lilly can provide full of information to its customer about each research that they are done for a specific drug so that the customer can have an idea of their services and products at the same time. Also, this makes the consumer knows much more information about the medications and how it will cure any illnesses.

Furthermore, according to the above analysis of Porter’s Five Forces of Eli Lilly and Company, we can conclude that the strategic managers can get a full understanding of what influences the profitability of the company in the drug business. They can also recognize the competition, changing shifts in advance and can quickly develop a strategy that can create better opportunities to challenge any threats. Therefore, through identifying the Porter Five Forces as mentioned above in great details, Eli Lilly and Company 's managers can consider those forces to help the business in their favor.

**(SWOT) Matrix**

Eli Lilly and Company is one of the best companies in the pharmaceutical industry. The business keeps its leading position in the market through carefully evaluating the SWOT Matrix analysis. However, this section will use this tool to develop strategies that Eli Lilly and Company can consider for its future business. The SWOT matrix will also support the Eli Lilly to create purposes through giving the possibilities to get the best decisions that work to reduce threats, weaknesses, and develop strategies to promote the business's strengths. Therefore, the Strengths, Weaknesses, Opportunities, and Threats (SWOT) Matrix will allow the managers of the Eli Lilly and Company to establish a matching technique for four types of strategies. Those strategies include the following:

**1) strengths-opportunities (SO) strategies**

**2) weaknesses-opportunities (WO) strategies**

**3) strengths-threats (ST) strategies**

**4) weaknesses-threats (WT) strategies.**

The above strategies for each section formed through matching critical external and internal parts in the elements of strength to get an advantage over its external opportunities. And developing internal weaknesses by using the excellent position of external opportunities; using the internal forces to overcome the influence of external threats and decreasing internal inadequacies to bypass any external threats. By matching the critical factors of internal and external factors, some approaches created in SO, WO, ST and WT below to identify the best approaches for the business.

**SWOT Matrix**

|  |  |  |
| --- | --- | --- |
|  | Strengths – S   1. The business has a robust brand image. 2. The most successful pharmaceutical business in the United States and in the world as well. 3. sells drugs at reasonable prices. 4. strong stakeholder connection. 5. they are professionals in clinical experiments. 6. sells its product throughout the world. 7. commitment to scientific research and development excellence 8. Patent protection of business's drugs/products. | Weaknesses – W   1. financial threats through the rising costs of research and clinical trials. 2. The business focus on limited products. 3. high rate population of aging people around the world. 4. need more money in the investment in technology to manage the production around the world quickly. 5. Not very successful at integrating businesses with various cultures. 6. The marketing of the products is not well defined for customers. |
| Opportunities – O   1. people have the chance to live a longer life. 2. high rate in population of aging people around the world. 3. An opportunity for new markets. 4. The U.S. market is offering excellent growth opportunities. 5. emerging businesses internationally could lower costs of production. 6. Increasing the awareness of healthcare demands. 7. The use of new technologies to gain more customers. | SO Strategies   1. Eli Lilly & Company should join a strategic company to develop and market substitute products for consumers around the world (S1,O3, O4). 2. Provide a wide variety of different/new products at reasonable costs. (S3, O5). 3. Identify and create treatments for future extensive spread diseases (S7,O6, O1). | WO Strategies   1. Create a financial system to improve the customer needs (W1,O2, O3, O7). 2. Develop well defined/new products (W2,W6, O1,O4). 3. Using the technology expand the business growth successfully (W4, O3,O7) 4. Make the research on pricing strategy to make wise decisions for the cost of production for each product (W1, O4, O6). |
| Threats – T   1. The rise of development of Generic Medicines. 2. the expiry date of Prozac patent. 3. the growth in business share of rivals like Pfizer can be a threat to Eli Lilly. 4. the use of new technologies developed by the competitors. 5. Shifting customer buying habits to online shopping could be a threat. 6. Lack of experienced employees in specific global markets shows a threat to the continued growth of earnings for Eli Lilly in those businesses. | ST Strategies   1. merge business with different companies to develop new strategies to lower the cost of production (S2, S6, S7, T1, T3). 2. Develop one production system (S6, T4). 3. Expand the market research to find better ways of selling products to many customers (S1,S5,S6,T5, T4). | WT Strategies   1. Find better ways to increase patent protection (W2,T2). 2. develop better methods to gain the customer loyalty (W5,T5). 3. the business needs to invest more in training employees in different places (W5, T6). 4. Operate with growing businesses to have medicines approved that are still under FDA trial (W1,W2,T1,T3) |

**SO Strategies**

Eli Lilly and Company is the 10th-largest pharmaceutical company in the world. The business has an internal strength that they can take advantage of its external opportunities to develop innovative medicine at a lower cost. Its primary forces involve new product development of drug discoveries. According to Phrma, “each patient battling a disease or managing a chronic condition lives in the hope that tomorrow will bring a new medicine that delivers better health. America’s biopharmaceutical research companies share the same goal, constantly developing new medicines that can prevent diseases, improve patients’ health, and save lives.” Eli Lilly shares the same purpose which is making medications that help people live longer and healthier. Therefore, the business should join strategic firms to develop and market substitute products for consumers at reasonable prices. This method can help the business to increase its profits by gaining different and new customers. It will also benefit the strength of the company by creating an opportunity for advertising their products at various places

**WO Strategies**

Eli Lilly and Company can improve its internal weaknesses by taking advantage of its external opportunities to developing medicines more quickly through using the newest technologies and research to enhance and expand its products/services. But its significant threats are rival’s companies who are creating similar drugs at lower cost. Those businesses are not well known enough for customers. Their products could have a negative impact on customers. According to Elsevier, "using computer technology and analytical tools to train a “machine” to see more than we can — is one way that technology can help streamline the process of finding and developing new drugs." Therefore, Eli Lilly has an excellent opportunity to overcome this weakness by using the technology/social media to inform the customers about the innovation of their new products or services. This method will also help the business to gain the trust of its consumers and suppliers easily through maintaining their purposes in providing the customer's the high-quality products through using the technology to solve any issues they might face. Also, according to Elsevier, "researchers are learning is that by using certain technologies early in the drug-development process, they can identify issues that might cause a drug to fail early on, in many cases before the compound even goes into clinical testing. Then they can either modify the compound to address the issues, while maintaining the therapeutic effects or make an early decision to no longer pursue the drug candidate, thereby averting a more expensive later stage failure."

Furthermore, Eli Lilly and Company should create a financial system to determine the consumer’s need through analyzing the markets of the products. This method can benefit the business by identifying the drugs that need to be developed or changed so they can create better and different medicines to encourage consumers to live a healthier life.

**ST Strategies**

Eli Lilly and Company can use internal strengths to decrease the influence of external threats in merging with merge with different suppliers to develop new strategies to lower the cost of production. The company must work on creating connections with suppliers to buy the materials they need at a fixed price to develop one production system to include the research and development of each element that been used in each drug. According to Chron, "a fixed-price contract gives both the buyer and seller a predictable scenario, offering stability for both during the length of the contract.” Therefore, when business change the cost of materials or service, the fixed price agreement can be a strong advantage for the industry. This method will help the business to determine the demand for those materials easily. Also, Eli Lilly needs to expand the market research to find different strategies for selling its products to many consumers. This method will make the business understand the most necessary medication for its customers.

**WT Strategies**

Eli Lilly and Company can decrease internal weaknesses to avoid external threats by investing more in training employees in different places. Skilled workers will increase the profit of the business, and it will also help the industry to gain the customer loyalty by offering the best products/services in a very professional way. Eli Lilly can also work with successful businesses in which their drugs are still under FDA testing for approval. The company can offer its competitors this technique so that they can merge together to maintain the customer’s need for medications at a higher level.

However, according to the above SWOT analysis/matrix, the managers decided to realize the importance of all internal strength and weakness of the business. Eli Lilly will consider each factor and strategy to move on forward and maintain its position in the market.

**Financial Analysis / Growth Rates**

The financial statements of Eli Lilly and Company are used to help the managers to be able to summarize the financial information. It is essential for them to know the numbers because each number/ratio/data matter when it comes to any company. Also, finding the financial strength helps the business to provide information that is used by the industry and investors. However, Eli Lilly is doing good compared to the pharmaceutical industry. The table below shows a remarkable increase in its sales in the past four years in the market. According to Nasdaq Annual Report, Eli Lilly sales in the year of 2017 was 23,113.10, net income of 4,684.80, and an EPS of 4.32. This growth was excellent compared to the years from 2014-2016. Therefore, in 2017 Eli Lilly and Company improved its sales by 7.77%. Also, according to the MSN Money key statistics that industry sales (revenue) was -1.83 which meaning that the industry is on a descending direction., Net Income 0.83, Sales (Revenue) for the 5-Year Annual Average was 4.78 whereas Eli Lilly sales revenue for 5-year annual was 0.24, Dividends for the industry was 0.10 and for Eli Lilli was 1.20 (5-Year Annual Average). However, Eli Lilly and Company is achieving great compared to the Pharmaceutical industry (MSN, 2018).

**Ratio Analysis of Eli Lilly and Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Ratio | 2017 | 2016 | 2015 | 2014 |
| Current Ratio | 1.32 | 1.37 | 1.52 | 1.22 |
| Quick Ratio | 1.04 | 1.05 | 1.10 | 0.94 |
| Inventory Turnover | 1.47 | 1.81 | 1.89 | 2.41 |
| Debt-to-Total-Assets | 0.30 | 0.27 | 0.22 | 0.22 |
| Total Asset Turnover | 0.14 | 0.16 | 0.18 | 0.18 |
| Fixed Asset Turnover | 0.75 | 0.78 | 0.81 | 0.83 |
| Operating Profit Margin | 33% | 54% | 41% | 40% |
| Earnings per Share | 0.29 | 3.97 | 3.48 | 3.44 |

**Financial strength**

Eli Lilly and Company holds a financial strength while analyzing inventory turnover. Eli Lilly inventory turnover declined from 2014 to 2016 but then somewhat developed from 2016 to 2017. However, inventory turnover estimates how fast a business is marketing inventory. A low turnover indicates low sales and a higher rate means that the company has some steady sales. Moreover, Eli Lilly had an encountered good inventory turnover rate in the past four years while matching to the market average.

**Financial Weaknesses**

Eli Lilly's current financial ratio was improved from 2014 to 2015 but then it got decreased from 2015 to 2016. Moreover, the current ratio is primarily practiced in providing an idea of the business's ability to pay back its short-term and long-term obligations/debts. The higher the current rate, the abler the industry is about paying back its liabilities. However, Eli Lilly is above rating one that is 1.32 or 132% which means that the organization is capable of paying its obligations. But sometimes a high rate does not indeed determine that a business is in a position of financial well-being either. A high current ratio could advise that organization is not handling its current assets smoothly, and it is not maintaining its working assets well. To accurately decide whether or not those numbers are ongoing, a liquidity rate more precise than the current ratio is required to determine whether the company can pay back its debts or not. According to MSN, the current industry ratio is 1.27 which means that Eli Lilly’s current ratio is higher than the industry rate. Therefore, Eli Lilly is capable of paying back its debts as well as maintain its working assets.

**Price Ratios**

Price ratios are associated with the stock business. The shareholders have the chance to get in companies by buying shares, or goods. The price ratios support us to know where market holds about its importance in the industry.

The Current Price Earnings (P/E) ratio indicates analyst the amount that the investor in common stock will pay for the shares of the company. According to Investopedia, "the price-earnings ratio indicates the dollar amount an investor can expect to invest in a company to receive one dollar of that company’s earnings”. However, Eli Lilly’s P/E ratio decreased from 2014 to 2016 and from 2016 to 2017. And its current P/E is -416.67, whereas the industry average is at 33.22 (MSN, 2018). However, earnings never remained fixed. If a business can expand its revenues, it needs several years for the firm to get back the price they give for the stock. According to Guru Focus that lower-P/E rates are more attractive than higher P/E stocks so long as the P/E ratio is positive. Also, for stocks with the same P/E ratio, the one with faster growth business is more attractive (Guru focus, 2018).

According to Investopedia. The Price/Sales Ratio is a valuation ratio that compares a company’s stock price to its revenues. The price-to-sales ratio is an indicator of the value placed on each dollar of a company’s sales or revenues (Investopedia., 2018). Eli Lilly and Company PSR are currently at 3.61 which is less than the industry average of 4.03 (MSN, 2018). This indicates that the buyers were not ready to pay well for Eli Lilly's stocks as they did to others in the industry.

**Short-Term Capital**

Eli Lilly has excellent results of short-term capital compared to the industry average for other companies. Eli Lilly must maintain its short-term gain and expand its earnings to develop fluidity. According to Investopedia, "The difference between long- and short-term capital gains lies in the length of time the investment is held. Simply put, long-term capital gains are those derived from investments held for more than one year." Therefore, in the short-term capital is essential to assuring the advantages of your investment selection of the production costs.

**Long-Term Capital**

Eli Lilly and Company currently has a debt-to-total-assets rate of 0.30. This ratio means that 30% of Eli Lilly financial assets financed via liability/debts. However, capital expenses of Eli Lilly have been 70% (100%-30%) supported by its common shareholders. The company uses this method because the cost of supplies and raw materials that are required to spend in the capital in the Pharmaceutical business is very high. According to Market watch, the total debt to total assets of Eli Lilly is currently at 3.34 (Market Watch, 2018). Therefore, putting significant amounts of money into the market by getting debt can be costly to Eli Lilly in such a profound profited business. And Eli Lilly needs to have a financial, strategic plan to minimize the business’s debt and use its earnings to invest in the market.

**Working Capital**

Working Capital is a method to measure the company's short-term liquidity to be able to satisfy short-term obligations. Its determined by the difference between a business's liabilities, assets and current assets. However, Eli Lilly and Company working capital have declined from 2014 to 2015 but then somewhat changed from 2015 to 2017. The total of current assets is 19,202,100 and the total of current liabilities is 14535900 as for the year of 2017 (Nasdaq, 2018). Therefore, the working capital is about 4.6 Billion for Eli Lilly and Company.

**Capital Structure**

The capital structure is the way that business funds it’s all progress and growth by utilizing various sources of funds. According to Market Watch, Eli Lilly and Company capital structure are as follows: Total Debt to Total Equity is 117.73 which indicates that the Eli Lilly debt-to-equity ratio has declined from 2014 to 2015 and from 2015 to 2017. However, A high debt to equity rate usually shows that a business has been advancing in funding its production with debt. This can happen to unstable profits because of the extra interest cost. Whereas, according to Nasdaq that "The company must have a low Debt/Equity ratio, which indicates a strong balance sheet. The Debt/Equity ratio should not be greater than 20% or should be less than the average Debt/Equity for its industry of 141.49%". and Eli Lilly Total Debt/Equity of 117.73% is considered reasonable.

**Dividend Payout Ratio**

Dividend payout ratio measures the rate of the business's profits paid out as dividends. According to Dividends analysis, that Eli Lilly highest dividend ratio was 6.8% over the past of 12 years and today's dividend payout ratio is 2.83%, and in 2017 it was 0.52%. Moreover, in dividends funding, the payout rate and the dividend increase ratio are the two critical variables to review. A lower payout rate means that the business has extra opportunity to improve its dividends. However, the highest Dividend Payout Rate of Eli Lilly in the best of three years was 2.83 the lowest was 0.53 which means that the dividend is safer than the common capital in the market. If Eli Lilly can accomplish their strategy and the current drug production matches its expectations, the business's dividends payout ratio will continue to grow.

**Investors and Shareholders**

According to Lilly analysis, if Eli Lilly and company has maintained the $0.51 EPS quarterly dividend for the fourth part of 2017 as we anticipate, then the business's payout ratio would be about 57% for 2017. According to Lilly Investor that the company’s earnings per share in the fourth quarter of 2017 has increased 20%, to $1.14. And net income developed 19%, to $1.207 billion compared with $1.013 billion and $0.95, individually, in the fourth quarter of 2016. The increase in net earnings per share was affected by the higher operating income in, which means that the shareholders are in excellent relationships with Eli Lilly.

**Financial Managers/Strategies**

Eli Lilly and Company financial administrators have significant experience and skills in both business management and the pharmaceutical industry. According to Forbes, Eli Lilly as the 10th most significant pharmaceutical business in the world with $94.1 billion market capitalization. Since Lilly concentrated, it worked in the fields of drug analysis, development and marketed in the areas of endocrinology, neuroscience, cardiovascular disease, oncology, and women's health. The business made a significant improvement in the 1990's, because of its successful antidepressant Prozac. But Eli Lilly has faced a possible loss in profits with its patent early expiration. The issue was not just the early expiration of copyright on Prozac, but the point that Prozac valued for as considerably as 30% of total income. According to the Fortune article, "Since it was launched in early 1988, Prozac has been one of the biggest-selling drugs in history; its $21 billion in sales represents some 30% of Lilly's revenues in that period. It's not too much to say that Lilly is the house that Prozac built." Therefore, Lilly appeared to have both purposely or accidentally chosen to spend their works in the field of neuroscience for the top seller drug of patented products Zyprexa and Prozac. Its unbalanced responsibility and delaying global businesses were the result of its dependency on only several medicines. This kind of an approach with a center for neuroscience only was not well satisfied to the foreign countries whose center was the treatment of many different illnesses. Therefore, Eli Lilly needs to develop a strategy where it can increase its development for each drug to maintain their stability in the market and to gain success in foreign markets as well.

**Quantitative Strategic Planning Matrix (QSPM) of Eli Lilly and Company**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Key Factors | | Weight | Increase the market research globally | | Develop/increase R&D for each drug | |
| **AS** | **TAS** | **AS** | **TAS** |
| *Opportunities* | | | | | | |
| 1 | Longer/healthier life expectancy. | 0.06 | 3 | 0.18 | 4 | 0.24 |
| 2 | aging population create new opportunities for industry in the future. | 0.08 | 2 | 0.16 | 3 | 0.24 |
| 3 | Sales in emerging businesses | 0.04 | 4 | 0.16 | 2 | 0.08 |
| 4 | Global pharmaceutical sales are expected to increase its sales by five to seven percent in 2011. | 0.03 | 3 | 0.09 | 1 | 0.03 |
| 5 | The increase of incurable illnesses. | 0.05 | 4 | 0.20 | 3 | 0.15 |
| 6 | The development of innovative medicines at lower costs. | 0.02 | 2 | 0.04 | 4 | 0.08 |
| *Threats* | | | | | | |
| 1 | Development of same known drugs by competitors. | 0.04 | 1 | 0.04 | 2 | 0.08 |
| 2 | For every 5,000 compounds discovered, only one ever reaches the pharmacist’s shelf. | 0.04 | 2 | 0.08 | 1 | 0.04 |
| 3 | The drug discoveries and developments take years to finish. | 0.08 | 1 | 0.08 | 2 | 0.16 |
| 4 | Less than a third of marketed drugs obtain sufficient commercial success to regain their R&D investments. | 0.04 | 2 | 0.08 | 3 | 0.12 |
| 5 | Drug discovery and development often takes years to complete and could cost more than $500 million with no guarantee of eventual approval for the market. | 0.02 | 4 | 0.08 | 2 | 0.04 |
| 6 | The largest competitors company (Pfizer) having eight percent of the global pharmaceutical market. | 0.06 | 2 | 0.12 | 1 | 0.06 |
| *Strength* | | | | | | |
| 1 | Eli Lilly is the 10th-largest pharmaceutical company in the world. | 0.08 | 4 | 0.32 | 2 | 0.16 |
| 2 | Eli Lilly has about 70 potential new drugs in human testing and a more substantial number of projects in preclinical development. | 0.03 | 1 | 0.03 | 3 | 0.09 |
| 3 | Lilly offers animal health products. | 0.05 | 2 | 0.1 | 4 | 0.2 |
| 4 | Skilled and experienced employees in highly developed laboratories. | 0.02 |  | 0.06 | 2 | 0.04 |
| 5 | The business sells drugs all over the world. | 0.03 | 2 | 0.06 | 3 | 0.09 |
| 6 | The business represents a strong brand image. | 0.02 | 4 | 0.08 | 4 | 0.08 |
| *Weaknesses* | | | | | | |
| 1 | Between the years of 2010 and 2012, Eli Lilly had lost U.S. patent protection on medicines that considered for 46 percent of its 2010 revenue. | 0.02 | 4 | 0.08 | 2 | 0.04 |
| 2 | Weak in mission and vision strategies to remain in the drug manufacturing business. | 0.04 | 2 | 0.08 | 2 | 0.08 |
| 3 | Not very successful at combining firms with different work environments. | 0.01 | 3 | 0.03 | 1 | 0.01 |
| 4 | The company stopped the production of Alzheimer late-stage drugs. | 0.03 | 2 | 0.06 | 4 | 0.12 |
| 5 | High erosion rate in the workforce | 0.05 | 1 | 0.05 | 1 | 0.05 |
| 6 | Drop in selling its products because of new generic medicines. | 0.06 | 3 | 0.18 | 2 | 0.12 |
| Total | | **1** |  | **2.44** |  | **2.40** |

AS = Attractiveness Score; TAS = Total Attractiveness Score

The Quantitative Strategic Planning Matrix (QSPM) is an essential strategic management method for assessing potential strategies. In the QSPM, the opportunities, threats, strengths, and weaknesses evaluate the importance to every factor of the EFE and IFE analyses, and selects an attractive rate according to the outcome and need. Therefore, this gives a reasonable way for comparing possible alternative actions. Also, the two alternative approaches were examined in the QSPM are: Increase the market research globally and expand the R&D for each drug development. The weighted score sum for each strategy is a total attractive score (AS) which is the amount that defines the various useful ways to be understood by the highest amount. However, every plan has the possibility of providing opportunities that will increase the consumer satisfaction and the earnings of Eli Lilly and Company.

The first strategic alternative as shown in the QSPM above is the opportunity of increasing in the market research globally because the international market in developing new medicines has proven a steady increase in the industry. With the rise of different diseases in many countries. Eli Lilly should build its market research based on the need for drugs that treats different illnesses. According to CNBC, "David Ricks, Eli Lilly CEO, talks about the company's quarterly results and new product launches driving profits, including drugs for diabetes and cancer treatments. And Ricks addresses the challenge of keeping drug prices lower while implementing innovation". Also, Eli Lilly Q4 EPS of $1.14 beats by $0.07 and revenue of $6.16B beats by $220. They are also putting out some diabetes treatment and new product launches that have dominant performance globally.

Furthermore, Rick's stated that consumers shouldn't pay much more for their medications and it needs to have real changes. So, there is no reason why a consumer should be paying much more for their prescription than they do for other health products because the medication is the sufficient part of the system in everyone's life. Therefore, the development of market research globally strategy weighted a score of 2.44. This strategy proves that the demand for marketing worldwide is essential for the company.

The second alternative strategy evaluated in the above QSPM was the increase in R&D for each drug. This strategy includes focusing on the development of new medicines by an effective R&D strategy. According to Business Facilities, "Eli Lilly and Company will expand its global research and development (R&D) headquarters in Indianapolis, IN, adding 130,000 square feet to the company’s existing complex. The new $70 million building will feature a multi-disciplinary laboratory that facilitates collaboration across multiple research functions. The new building is part of Lilly’s continued growth of its Indianapolis footprint, which included a $400 million expansion initiated in 2013 to increase its insulin manufacturing capacity." However, the new research and development building will allow organic experts and engineers to operate together in a teamwork workspace with analytical and formulation specialists. The key to this strategy success will be by having manageable labs that accommodate as analysis and technology requirements evolve, as well as, having conference areas that are intended to enhance the creativity and problem-solving. However, this strategy weighted a score of 2.40.

Furthermore, Since Eli Lilly is a global company that offers products to a different place and managed very creatively from other pharmaceutical business's, Porter’s Type 3 generic strategy of differentiation would be the most useful strategy. According to our text, Porter's Type 3 generic strategy is different, a plan aimed at producing products and services considered unique industry-wide and directed at consumers who are relatively pricing insensitive (David, 2012). Therefore, both approaches must be considered because both can benefit the business and the consumers positively.

**Recommendations**

The strategic choice with the highest Total Attractiveness Score is the increasing market research globally., This strategy benefits the business to create potential consumers, supplier, and increase its selling products in many other nations. It essential to provide the satisfaction for the customer as well as making them feel that Eli Lilly is there to support their needs to treat their diseases. However, this alternative holds the highest Total Attractiveness Score, as well as supports to satisfy several of the parts that were mentioned before in the IFE and EFE matrices. According to Statista, “Eli Lilly is one of the top global pharmaceutical companies and the world's largest manufacturer and distributor of psychiatric medications. In 2011, the company generated some 2.25 billion U.S. dollars of its revenue in Japan.” However, this strategy will increase the working capital situation of the business. By increase, the market research globally will also create a diversity in the workplace. Employees will have the chance to build and develop new ideas that help the firm to grow stronger in the market.

**The Markkula Center for Applied Ethics**

The Markkula app is a tool that is used to determine how ethical are the choices as it relates to utility, rights, justice, common good and virtue produced different results for each recommendation. Each group will have its benefit based on how the company rates them and the choices they make. Also, the company will benefit from the measurements of a good outcome and how it could potentially impact the business financially, how the action will affect others, and how the actions will affect the company regarding others. Therefore, the decisions that must be considered based on the Markkula process is by looking at each, group, and change the scale rating and based on how it will affect the industry and apply those results to how the change might affect the whole outcome. Evaluating each group is not easy, sometimes the company must set up a new goal plans for each group and then that group must follow the new goals and then business will hopefully make a positive change. As for Eli Lilly and Company, the Markkula app evaluation gave the value of 83, which is probably ethical.

Recommendations based on the Markkula app; 1. Eli Lilly must increase their market research to provide many alternative medicines for many consumers. 2. Employing or hiring people from different places create the diversity in the workplace to improve its strategies and plans for its future market. 3. these marketing methods will enhance the company’s vision, purposes, and it will increase the awareness about different health problems among many consumers/suppliers as well. However, all the above recommendations need to be recognized, and then Eli Lilly will be able to develop the different concerns of their marketing research.

In conclusion, Eli Lilly and Company should utilize the options, like working globally and testing each drug to improve its developments must be considered. All the strategies and recommendations mentioned above will develop the local economies and enhance the image of Eli Lilly more than employing marketing techniques.

**Implementation Plan**

Eli Lilly and Company will have a well-defined implementation strategy, which will involve communicating with global businesses through using technology (online meetings) and in-person meetings to gain their trust and to discuss the critical marketing plans that will increase research and development of new medicines for many people. Also debating different marketing plans such as the financial relations that might influence the company when operating locally and globally, even the business will address how these economic relations will help the company to obtain more business share in the global market.

These meetings will be managed by David A. Ricks, Chairman and Chief Executive Officer of Eli Lilly. Ricks will be the best person who will handle these meetings because he served Eli Lilly in many international locations. According to Lilly, Ricks was president of Lilly in the USA, the company’s most significant member, from years 2009 to 2012. He worked as president and worldwide manager of Lilly China, working in one of the world’s fastest-growing developing businesses, from the years of 2008 to 2009. And he was general director of Lilly Canada from the years of 2005 to 2008 as well. Therefore, Ricks focus will be on the elements of the implementation that handles the discovery of new ways and strategies as well as constant and viable growth. This method will be a crucial part of making Eli Lilly and company employees, suppliers, and customers to help in enforcing the implementation of the necessary plans.

Below are the explanations of Ricks first plans that will cover the financial, research, and development strategies that will focus towards the organization's success locally and globally. However, the Chief Financial Officer of Eli Lilly named Jamere Jackson will go over these specific strategies. Also, the plans will describe the center of the elements and requirements for each of the different departments of Eli Lilly.

Eli Lilly and Company will have meetings every five months to address significant concerns such as the present situation of the plan that is required and the real agenda, financial planning, and any changes as well as any suggestions as to how these parts might influence the policies. Eli Lilly managing team will also take these conferences as possibilities to consider any additional problems concerning the plans.

Eli Lilly and Company will develop a useful organizational system that will split the responsibilities according to the company's departments, to expedite development performed. The useful management system will encourage the business to expand the outcomes of the plans. The responsibilities or tasks will be distributed to the following areas, as explained in the section below; Administrators, Financial Analysis, Marketing, Research and Development and Human Resources.

**Administrators:**

* Eli Lilly will provide reasonable goals/purposes to all its employees and managers, allow clear ways of communication, assuring all the employees are entirely understanding their responsibilities, and objectives.
* Maintain efficiency and improvement of the plans.
* keep the employees and the managers aware of any updates or changes that could be concerning the project.

**Financial Analysis:**

* Obtain the funds that are needed to create and complete new areas that are concentrating on expanding the research and development departments in every place.
* Obtain any required permits for medical drugs and maintain the needed agreements that are necessary for the implementation of the plan.
* Manage the business development areas to control the situation and to proceed forward with the development of the business’s strategy.

**Marketing:**

* Perform analysis to define the best potential markets.
* Establish marketing plans to start focusing on advertisements parts. The idea should be developed according to accurate results that formed by the research and development department, so it can provide the customers the right information about its products.
* Create awareness in many countries/cultures so people can learn about different diseases that might cause problems in their health’s.
* Use different modern methods to advertise the business's products such as TV ads, social media, coupons, and rewards points. But most important is the social media since many people nowadays are using social media website. This method will bring the business and the customers closer and together to develop new products and get the company’s research and development on medications expanded.

**Research and Development**

* Analyze and decide the requirements and needs of the target business, such as the locations, the assets, and the beneficial parts of the market.
* Use advertisements techniques to attract volunteers while doing the testing in a medical drug to get accurate results.
* Also, providing reward points program for customers will encourage the customers to purchase their required products from Eli Lilly brand.

**Human Resources:**

* Make sure that all workers have the same information and data about the company.
* Ensure that all employees are qualified, experienced, and educated in the essential fields of the business.
* Maintain communication and surveys every month to analyze and develop the performance of the workers within the workplace to help in the implementation of the project.

It is essential to develop and expand the success of the international factors of the business. Eli Lilly primary focus is to make sure that all employees are well skilled and educated about each product and services. Employees will be appreciated for their work and dedication. Therefore, managers will assure that employees will have excellent communication within the business to develop their ideas or to solve and discuss issues and to also use every opportunity that will help the company grow faster. On the other hand, employees can have the chance to have a training meeting every month about the development of the business, new products, and customer relations/services. This method will make the employees get involved in making Eli Lilly in having positive outcomes for its operations.

However, managers and employees will be aware of any new or change about a product or service that Eli Lilly offers. This method encourages the employees to work in a teamwork environment. The financial manager will also make sure that all employees will be awarded for their hard work and commitment to the business. Therefore, Eli Lilly and Company will do its best to work on implementation different plans into its administration department to enhance its work performance for all.

Another critical element is for the global market development to have the clear communication and presentation of the company's image for every customer. Each consumer must feel that they are safe when buying our products. Eli Lilly will provide them a whole description of our products and services using different methods of communication. These communications can be done through using different ways to reach out to many customers easily. Eli Lilly will assure that social media will be the primary focus when it comes to advertising its new products or medical drugs. Also, the business will use the social media website to inform its consumers about health news, weekly business newsletter, and to also work with consumers in expanding the company's ideas to develop better ways of communicating with them.

Furthermore, research and development of new medications are one of the critical aspects. Many people need to have an awareness of many different diseases or illnesses. But they don't have the access or the source to get this useful information. Eli Lilly will work on developing different ways to show the consumers that Eli Lilly research and development department gets its results based on accurate testing from patients/volunteers. However, the research and development department will need to be expanded in many locations around the world and need to have its testing done on healthy people to get the right outcomes of the experiment. On the other hand, consumers can get involved in these testing by volunteering and being part of our business's success. With that said, the financial part also plays a significant role in making the research and development services occur. The financial manager can contract with the patients, customers or volunteers to pay them for working and getting involved in these testing areas.

However, each of the tasks of the above plan will be carried out by Jamere Jackson of each department, and all the functions will be managed by the human resources department to assure that each department is delivering the right information, maintain its excellent performance, and developing its operation for better ways. Eli Lilly and Company HR department will be accountable for managing the daily tasks and all other indications of the plan, such as getting and maintaining experienced workers and working with any difficulties that might occur.

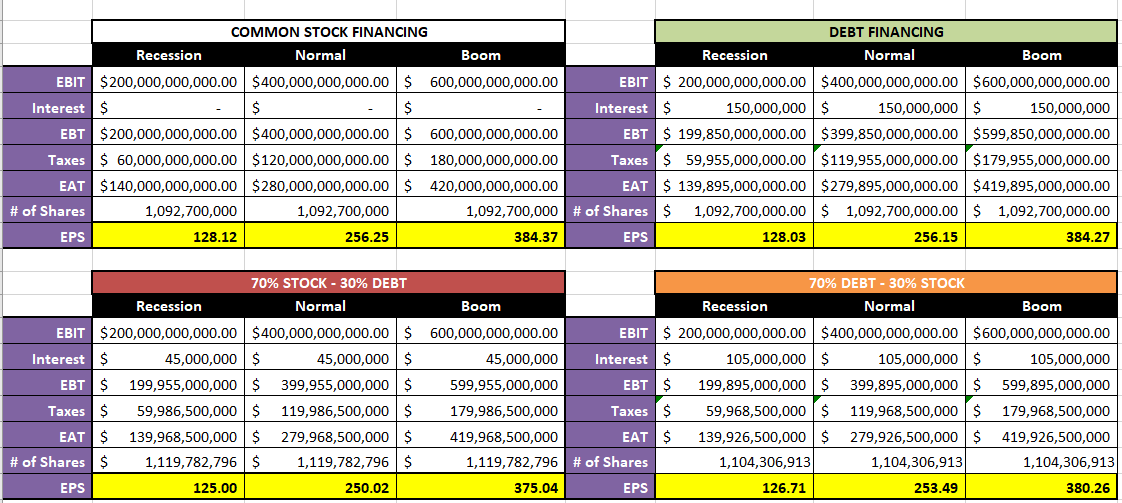
Moreover, the timeframe for implementing this plan will take about one year to get it developed. These objectives and goals are assumed to cost estimates amount of 2 million dollars. Therefore, Eli Lilly and company will consider each idea to expand and built more research and development department in many places to help people live better and healthier life.

**Financing**

There are three options for Eli Lilly and Company to support its funds: equity, debt or a combination of both of debt and equity. To consider the funding opportunities of developing the Eli Lilly global markets; the following assumptions of EPS/EBIT analysis below must be considered:

* Amount needed: $3 billion
* Tax Rate: 30%
* Interest Rate: 5%
* Stock Price: $77.54 per share
* EBIT Range is between $200 billion and $600 billion.
* Common Stock Shares Outstanding: 1,092,700,000

**EPS/EBIT Analysis**

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EBIT/EPS analysis supports the investors to know how a business is doing regarding stockholders. After seeing the above opportunities, the report above indicates that each of the four financing choices contains many similar EPS results. At 70% debt and 30% stock, EPS is $380.26. When you look at 30% debt and 70% stock, the EPS only drops at $375.04 in the booming economy. Therefore, Eli Lilly and Company need to look at things from the shareholder's point of view and work on doing the best financially for the business.

**Conclusion**

In conclusion, Eli Lilly and Company recommended strategy, to expand its research and development, is possible in working hard to provide the best commitment and focus on each part of the plan. Implementing active marketing operations and knowing the purpose and needs of customers will further increase the success of the critical project.

Providing the best quality products and services will help Eli Lilly to be one of the most top pharmaceuticals in the world. Also, the business needs to assure that employees will provide the right information for its consumers to gain their loyalty and trust that will eventually develop further growth and profits for Eli Lilly. Therefore, with the remained commitment of managers, employees, customers, and the growth of business share, the business plan and strategies will succeed.

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