Advil, Anyone?

SWOT ANALYSIS OF WYETH THROUGH A PERIOD OF GLOBALIZATION

STRENGTHS

Wyeth is known for its strong presence in the market for consumer drugs, with key performers such as Premarin and Effexor in the world of prescription medication, and Advil, Robitussin, Centrum, and ChapStick in that of over-the-counter, household goods. The origins of the company can be traced to war-time needs for mass produced medicinal supplies during the Civil War. In the 1920 Wyeth became well-known for their Sage and Sulphur Compound, a commercial hair dye that contained no sage but plenty of the now controversial chemical lead acetate. Wyeth continued to grow as a supplier of drugs and vaccines due to booming demand in the wake of World War II. Post WWII, Wyeth continued to grow primarily by means of brand acquisitions, amassing an impressive portfolio of recognizable consumer product brands. Wyeth’s strategic focus on profitability enabled a corporate culture that was relatively ‘hands-off’ as long as sales were growing and the company could continue to pay dividends to shareholders. A clear set of strengths for Wyeth towards the end of the millennium was the ownership of a diverse mix of market-leading brands, a healthy investment in research and development, and a corporate emphasis on product profitability.

WEAKNESSES

While Wyeth had discernible strengths in delivering value to both its consumers and its shareholders, by the 1990s there were indisputable causes for concern. In business model terms, Wyeth had a value proposition and a profit formula that worked, albeit in merely mechanical terms, in the sense that what worked in the past was presumed to be what will continue to work regardless of changes that needed to be made. Wyeth’s resources needed to be reevaluated, if not overhauled. Yes, Wyeth still had one enormous asset – brand ownership – but global supply chain and inventory management was not functioning in a way a global organization requires. Wyeth was missing a critical resource – a unified IT infrastructure and a plan for how to deploy it. Business processes, as a result, were suffering. There was little collaboration between plants around the world, and people within the organization did not have the capability or the interest to change. There was too much variation in what a process looked like from one plant to another. The company needed standardization and innovation. A key weakness within Wyeth was a delay in executive support for IT innovation. IT was not a priority.

There was no understanding of what IT could enable the company to do (or what it could prevent them from doing in its absence). The firm needed a clear mission, a leader with a vision. Further problems were found from within the organization in the attitude of managers who did not believe that IT innovation would help the organization. It seems an inevitable truth that times of business innovation, especially during worldwide turbulence, yields a Debbie Downer Effect in people. Instead of using critical moments as opportunities, people prefer to stomp their feet, raise their eyebrows, and pout.

OPPORTUNITIES

Serious steps waited until the late nineties when Henry Garcia made the business case for regional support centers (RSC) which were later known as regional centers of excellence, which began to create big changes in the companies IT methods – what infrastructure and technologies were used and how information was reported across the organization. The idea was to create a global warehouse with transparent lines and
inventory levels while controlling costs by consolidating expensive technology such as the IBM AS400. In tandem with the IT changes that were gaining momentum toward the turn of the millennium, an enterprise resource planning system was also being deployed. The SAP software project would revamp the company’s financial, accounting, inventory management, and transaction processing systems; the success of this project would be a direct feed line to the IT initiatives and globalization efforts. Wyeth also made some structural changes during this time, divesting of all its peripheral subsidiaries and focusing instead on core competencies, which were pharmaceutical and personal and animal care products. Wyeth also recognized the importance of research and development and continued to make investments to be at the forefront of the playing field, “…the challenge and opportunity was to globally roll out these internally developed products in an integrated, cost effective and timely manner (1)”.  

THREATS  

There are several factors that posed heavy challenges to Wyeth’s operations and innovation in global leadership. The nature of the pharma-care industry is laden with regulatory restrictions from one geographic location to the next. As such, standardization of manufacturing is made more difficult. The article mentions that at one point, each participating country had thousands of SKUs of which it had to keep track. Regulatory restrictions come in tandem with language and culture barriers. Every aspect of manufacturing needed to be examined, from how a drug is made, to what it is named, to as miniscule a detail as the color of its packaging. Such low level details can get lost in the big scheme of IT planning but are exactly the kinds of points that could eventually benefit from a transparent ERP and IT infrastructure that is customized to serve the needs of diverse demands across the globe.

Wyeth, and any pharmaceutical company for that matter, has to watch out for the constant threat of liability in the realm of product safety. Often it takes several years to acquire enough data on whether a product is safe or not and what sort of complications it may cause. A company that is associated with a widely prescribed drug that is later found to be related to high incidences of illness or fatality can lose assets, both financial and intangible, such as brand reputation and good will. Wyeth was a manufacturer of the now FDA banned drug Fenfluramine. The widely prescribed weight loss drug was correlated with incidences of heart complications and was immediately recalled after such findings in 1997. This raises a more open ended question of business ethics on the role of pharmaceutical companies in patient health. Clearly these companies exist to serve a need, and that need is usually a symptom of an illness or a condition that can be acutely treated with a tailored product. However, as is especially evident in the case of Fenfluramine as a treatment option for obesity, wouldn’t the patients stand much more to gain from preventative measures such as diet and lifestyle oriented steps towards weight loss?  

CONCLUSION  

Wyeth got a late start in planning and executing an IT overhaul. However, the results were worth the effort in the end. Once company executives were on board with the transition, the benefits began to show. Corporate spending on IT grew by a factor of 4.65 between the years 1997 and 2004 (2004 budget was 167 times the 1997 budget). IT personnel also grew rapidly, at about half the pace of the dollars. Throughout the process the company’s processes were revamped. Inventory management and supply chain were now transparent and operating on a global basis. Transaction processing and recording was now standardized and automated. Clear lines of communication and information delivery were established. Everyone involved had a warm feeling of accomplishment and satisfaction, and not surprisingly, a small headache.
Bibliography


