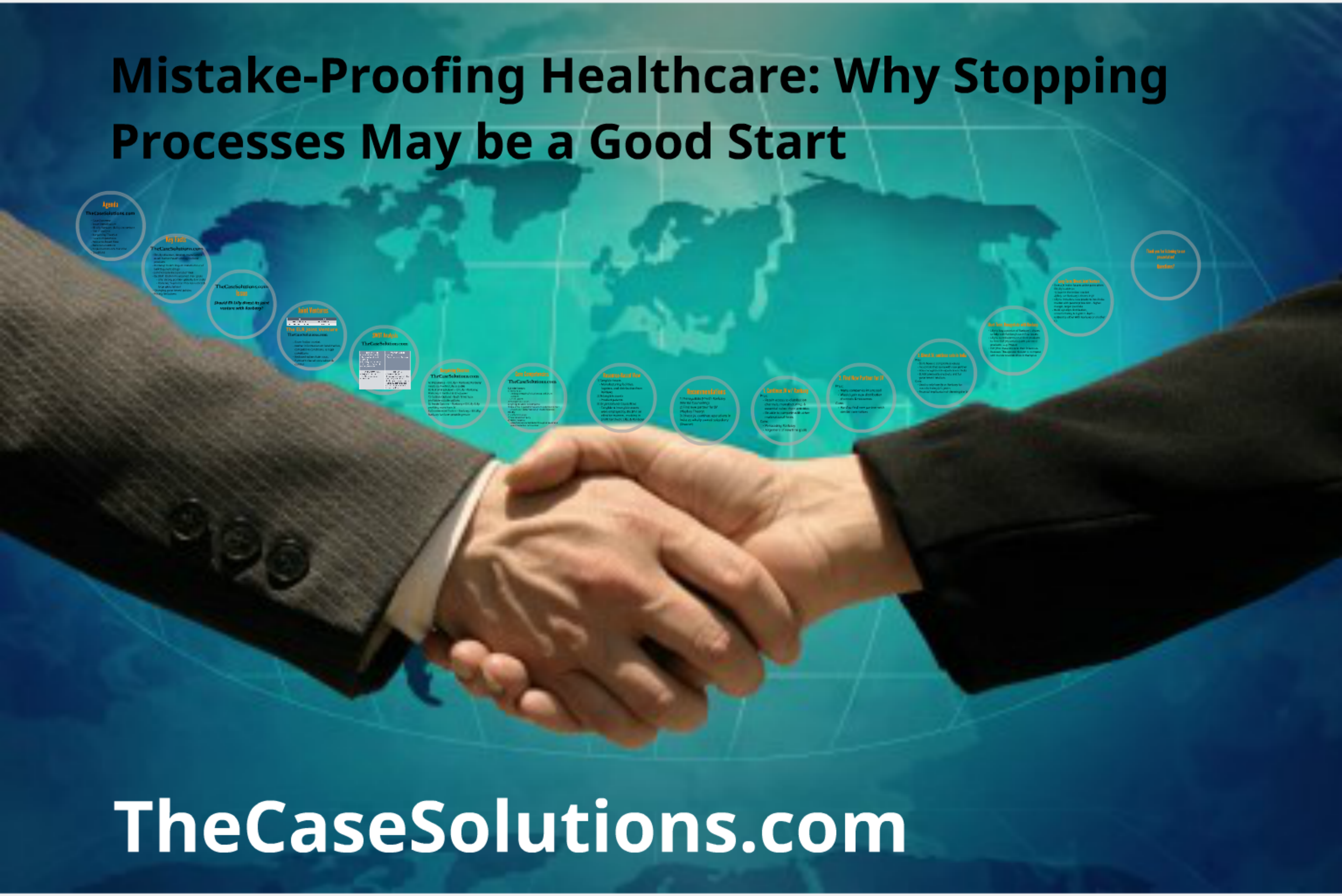
# Mistake-Proofing Healthcare: Why Stopping Processes May be a Good Start



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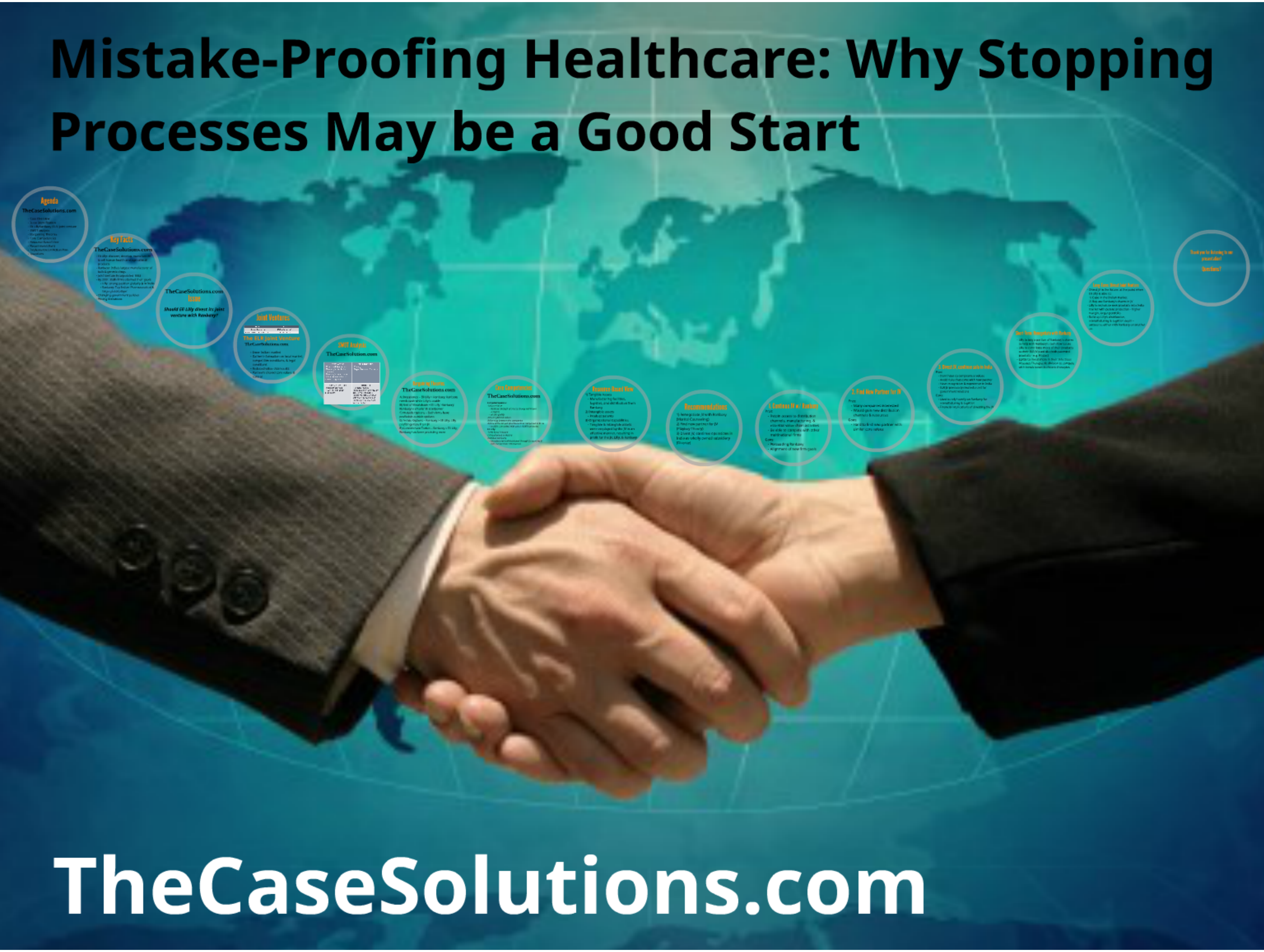

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# Agenda

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- Case Overview
- Issue Identification
- Eli Lilly Ranbaxy (ELR) joint venture
- SWOT analysis
- Bargaining Theories
- Core Competencies
- Resource-Based View
- Recommendations
- Implementation/Action Plan
- Questions

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# Key Facts



- Eli Lilly: discover, develop, manufacture & sell human health and agricultural products
- Ranbaxy: India's largest manufacturer of bulk & generic drugs
- Joint Venture incorporated 1993
- By 2001: Both firms attained their goals
  - Lilly: strong position globally & in India
  - Ranbaxy: Top Indian Pharmaceutical & large global player
- Changing government policies
- Pricing limitations

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# Issue

***Should Eli Lilly divest its joint venture with Ranbaxy?***

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# Joint Ventures

| Pro’s | Con’s |
| --- | --- |
| Entering the market | Partner selection |
| Reducing cost in value chain | Control over JV |

# The ELR Joint Venture



- Enter Indian market
- Gather information on local market, competitive conditions, & legal conditions
- Reduced value chain costs
- Partner’s shared core values & control

# SWOT Analysis

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| STRENGTHS | WEAKNESSES |
|---|---|
| • Combined Resources<br>• Ranbaxy's distribution channels<br>• Ranbaxy's brand name<br>• Lilly's code of ethics & training programs | • Pricing<br>• Dependence on Ranbaxy |
| **OPPORTUNITIES** | **THREATS** |
| • Patent Protection<br>• 100% foreign direct investment | • Generic market<br>•India as a high-volume, low cost, low profit market<br>•Indian market slow down – shift away from drug use<br>• Global pharmaceutical trends – M&As |

# Bargaining Theories



A) Impatience – Eli Lilly > Ranbaxy; Ranbaxy needs cash while Lilly is stable

B) Risk of Breakdown – Eli Lilly >Ranbaxy; Ranbaxy is smaller in size/power

C) Outside Options – Both firms have profitable outside options

D) Inside Options – Ranbaxy > Eli Lilly; Lilly profiting more from JV

E) Commitment Tactics – Ranbaxy > Eli Lilly; Ranbaxy has been providing more

# Core Competencies

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**ELR Joint Venture:**

1) Name Value
   - *Ranbaxy: strength of a local, strong, well known company*
   - *Eli Lily: quality*
2) Strong Ethical Values
3) Synergy between the companies
4) One of the largest pharmaceutical companies in India
   - *In 2001, ELR ranked 46th out of 10,000 companies*

**Eli Lilly:**

1) Ability to innovate
2) Experienced company
3) Global company
   - *Manufactured and distributed through 25 countries & sold in more than 130 countries*