


Danaher Corporation Harvard Case Solution & Analysis



About Danaher
 Industrial conglomerate based in Washington, D.C.
 Current CEO is Larry Culp
 The Danaher Business System - DBS



Strategic Chassis

Arising Problems

- Slowing growth rate of the U.S. economy as well as the global economy
- M&A
- Exposed to vertical markets with demand volatility
- Can Danaher maintain its model of continuous improvement?



Internal Analysis

VRIO Analysis

Resource	Valuable?	Rare?	Imitable?	Organizational Capabilities?	Competitive Advantage
Operational Excellence	X	X	X	X	Sustainable Competitive Advantage
Financial Strength	X	---	---	---	None
Operational Excellence	X	---	---	---	None
Market Focus	X	X	X	X	Sustainable Competitive Advantage

Financial Analysis


External Analysis

General Environment

- Cultural Trends:** Globalization, Diversity, etc.
- Demographic Trends:** Aging population, etc.
- Legal and Political Conditions:** Trade agreements, etc.
- Business Climate:** Economic growth, etc.

Porter's 5 Forces


- Supplier Power:** High
- Buyer Power:** High
- New Entrants:** Low
- Substitutes:** Low
- Rivalry:** High



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Internal Analysis

VRIO Analysis

Resource	Valuable?	Rare?	Imitable?	Organizationally Embedded?
Quality System	X	X	X	X
Financial Resources	X	---	---	---
Human Resources	X	---	---	---
Physical Resources	X	X	X	X

Financial Analysis


External Analysis

General Environment

- Global Trends:** Demographic, Economic, Technological, Environmental, Political/Legal, Sociocultural.
- Legal and Political Conditions:** Regulatory, Trade, Tax, Labor, Intellectual Property, Government Policy.
- Business Climate:** Economic, Industry, Market, Competition, Innovation, Sustainability.

Porter's 5 Forces

- Supplier Power:** High/Low
- Buyer Power:** High/Low
- New Entrants:** High/Low
- Substitutes:** High/Low
- Industry Rivalry:** High/Low



Presentors

Earlene Cruz

Cameron English

Seun Oke

Dhara Patel

Taseen Peterson

Yeny Tao

Kenneth Zampino

Danaher

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Strategic Choices

Business-Level Strategies

Cost Leadership

Product Differentiation

Corporate-Level Strategies

Diversification

Mergers and Acquisitions

Global Strategies

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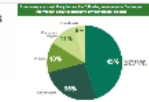


External Analysis

General Environment

Cultural Trends

- Green Trends
- 4/5 People



Opportunities: Environmental area and Test Measurement
Threat: Industrial Tech and Petroleum

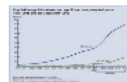
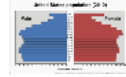


Demographics Trends

- Baby boomers
- Shift in age pyramid

Opportunities: Demand for medical device; rise in market base

Threats: Cost of research and regulatory restrictions for global expansion



Legal And Political Conditions

- Kerry-Lieberman - Carbon Emissions
- Medical and Dental
 - Tax on manufacturer, producer
 - 2.3% of the sales price
 - Eyeglasses and Hearing aids

Opportunities: Green, Less New Entrants
Threats: More Taxes/Costs



Economic Climate

- Recession Strength
 - Mergers, Acquisitions, and Consolidation
 - Profits Double, Revenue by 14%
- Example: Fluide
 - Margins at 8%

Opportunities: Bad Economy, Culture
Threats: Too Big, Procedure



Specific International Events

1990-1995 / 1998-2003 Global Recessions

- Caused by adverse financial stimuli on the economic environment
- Market collapse cut 22.6% off of the Dow Jones Industrial Average
- Led to a major recession in Canada, Europe, Japan and Australia

Strengths:

- diversity; efficiency; financial management

But, how sustainable?



Technological Change

- Environmental Electronic Test
 - Water Quality
 - Petroleum
- Industrial Technologies
 - Aerospace and Defense
 - Power Quality
- Medical Technology
 - Dental
 - Critical Care

Opportunities: Abundance of sectors
Threats: Legal and Environmental concerns



Porter's 5 Forces



Threat Of Entry - (Low)

- Diversified Products and Acquisitions - Focus on Niche Businesses, but large amount of these = Economies of Scale and Scope
- Company Specific Systems i.e. DBS and Sig Sigma
- 28 Years of Experience = Learning Curve
- Many Intangibles i.e. Most Talented Employees in the Industry
- Remained below the radar, focusing on just doing a great job, until media coverage resulted in attempts at emulation



Threat Of Rivalry (High)

As Danaher takes a long term position in the companies it acquires by implementing its DBS or lean manufacturing process and grooming management and leadership putting a great emphasis on operational efficiency, private equity firms have become a huge threat in the industry. Private equity firms many times have more money, are more flexible and willing to take more risks, buying to sell, companies as Danaher buys to hold.

Threat Of Buyers - (Low)

- 12/14 of their subsidiaries were market leaders
- Many of their acquisitions already had a very highly established market share
- Wide market - many buyers = decreases threat

i.e. general practitioners, hospitals, universities, critical care departments, major global and national oil companies, big box supermarkets, convenience stores, water facilities, industrial companies, governmental and non-governmental agencies.

Threat Of Substitutes - (Low)

Danaher's Primary objective is to be the most innovative company with the lowest manufacturing costs. Its corporate level strategies help to identify target companies for acquisition that are market leaders in their own right. Danaher has a systematic approach for identifying acquisition targets and one criterion in particular is to avoid outstanding competitors in industries that may apply pressure to their prices.

Threat Of Suppliers - (Low)

- Large/diversified market share = decreases threat of suppliers
- Companies acquisitions are their suppliers; weak economy creates more opportunities for acquisitions - By 2007 - one acquisition per month!
- Good relationship with their suppliers, "there's one thing that distinguishes us from the other players in the M&A field, its the way we stay in touch with the companies"

- Goal of being the lowest cost producers of the products offered = may make finding these specific suppliers difficult: "we want a market position with each product like that is either first, or second or within a very distinctive market niche"

- The conflicting cultures of the companies acquired may be challenging and may turn them away from those companies entirely

