Johnson & Johnson - 2009
Case Notes Prepared by: Dr. Mernoush Banton
Case Authors: Sharynn Tomlin, Matt Milhauser, Bernhard Gierke, Thibault Lefebvre, and Mario Martinez

A. Case Abstract

Johnson & Johnson (www.JNJ.com) is a comprehensive strategic management case that includes the company's calendar December 31, 2008 financial statements, competitor information and more. The case time setting is the year 2009. Sufficient internal and external data are provided to enable students to evaluate current strategies and recommend a three-year strategic plan for the company. Headquartered in New Brunswick, New Jersey, Johnson & Johnson is traded on the New York Stock Exchange under ticker symbol JNJ.

B. Vision Statement (Actual)

To maximize the global power of diversity and inclusion to drive superior business results and sustainable competitive advantage.

C. Mission Statement (Actual)

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs, everything we do must be of high quality. (1, 2)

We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit. (6)

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical. (9)

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources. (3, 7, 8)

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return. (4, 5)

1. Customer
2. Products or services
3. Markets
4. Technology
5. Concern for survival, profitability, growth
6. Philosophy
7. Self-concept
8. Concern for public image
9. Concern for employees

D. External Audit

CPM – Competitive Profile Matrix

		J&J		P&G		Other	
Critical Success Factors	**Weight**	**Rating**	**Weighted Score**	**Rating**	**Weighted Score**	**Rating**	**Weighted Score**
Price competitiveness	0.11	4	0.44	2	0.22	3	0.33
Global Expansion	0.10	4	0.40	3	0.30	2	0.20
Organizational Structure	0.04	3	0.12	2	0.08	4	0.16
Employee Morale	0.05	4	0.20	3	0.15	2	0.10
Technology	0.10	4	0.40	3	0.30	2	0.20
Product Safety	0.11	4	0.44	3	0.33	2	0.22
Customer Loyalty	0.10	4	0.40	3	0.30	2	0.20
Market Share	0.06	4	0.24	3	0.18	2	0.12
Advertising	0.08	3	0.24	4	0.32	2	0.16
Product Quality	0.10	4	0.40	3	0.30	2	0.20
Product Image	0.08	4	0.32	3	0.24	2	0.16
Financial Position	0.07	4	0.28	3	0.21	2	0.14

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

Total	**1.00**	**3.88**	**2.93**	**2.19**

Opportunities

1. Smaller companies are coming up with new and innovative drugs. This creates an opportunity for larger drug companies to acquire or form a joint venture with smaller companies
2. Larger organizations have better purchasing power in buying raw material
3. The baby boomers are aging, therefore they have more need for health and medical services
4. More consumers are becoming health conscious by taking more vitamin and use better brand health related products
5. Due to economic downtime, many individuals may have more stress and depression and as such, may have a need for prescription drugs
6. Despite years of research, companies still spend money for developing new drugs for health issues related to cancer, heart problems, HIV and Alzheimer
7. Through the Internet, drug companies have found a more effective and less expensive way in advertising, educating, and promoting their products

Threats

1. The cost of R&D has been increasing at an astounding rate, rising currently at a rate of eightfold per year
2. Due to economic downtime, there has been severe changes in the behavior and spending patterns of purchasers of healthcare products and services
3. Generic drug firms have filed Abbreviated New Drug Applications (ANDAs) seeking to market generic forms of most of the key pharmaceutical products, prior to expiration of the applicable patents covering those products
4. By 2012, many major patents, often referred to as Patent Cliffs, will expire, clearing the way for companies involved in the production of generics to begin manufacturing the most effective and high-grossing drugs on the market
5. Introducing a new drug into the market can take 10 to 15 years and require extensive amount of money to get it tested and receive FDA approval
6. Often, drugs could have side effects which create negative publicity and / or force the company to recall the drug or remove it from the shelves

External Factor Evaluation (EFE) Matrix

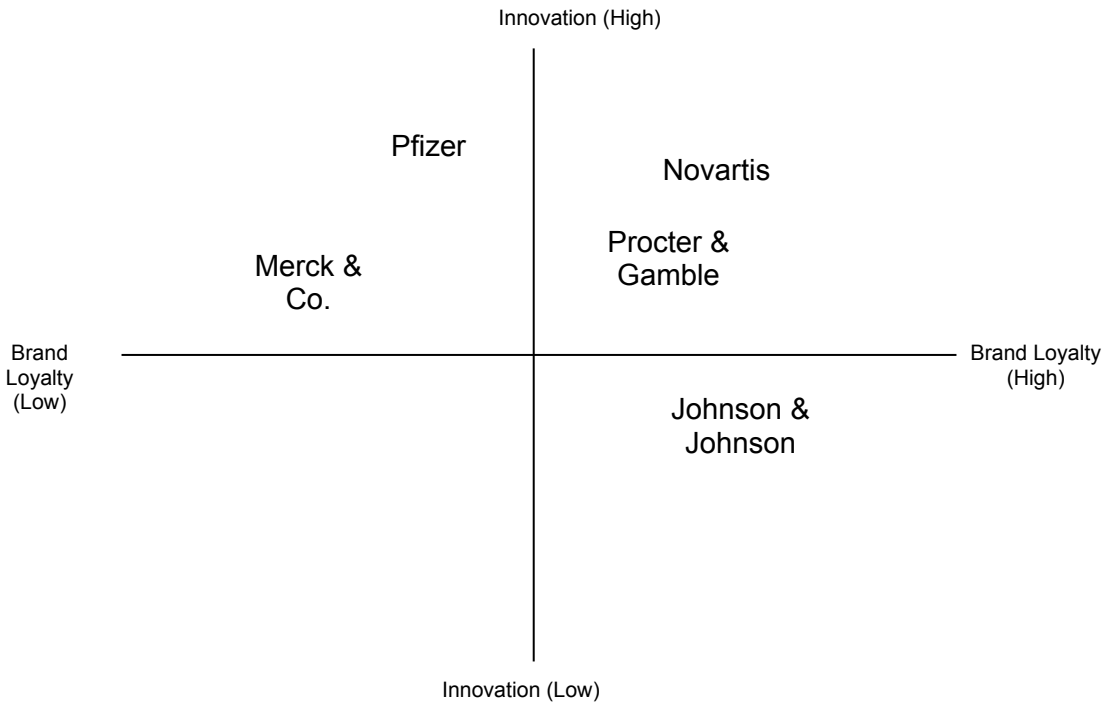
Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

Key External Factors	Weight	Rating	Weighted Score
Opportunities			
1. Smaller companies are coming up with new and innovative drugs. This creates an opportunity for larger drug companies to acquire or form a joint venture with smaller companies	0.1	4	0.4
2. Larger organizations have better purchasing power in buying raw material	0.09	3	0.27
3. The baby boomers are aging, therefore they have more need for health and medical services	0.1	4	0.4
4. More consumers are becoming health conscious by taking more vitamin and use better brand health related products	0.1	4	0.4
5. Due to economic downtime, many individuals may have more stress and depression and as such, may have a need for prescription drugs	0.06	3	0.18
6. Despite years of research, companies still spend money for developing new drugs for health issues related to cancer, heart problems, HIV and Alzheimer	0.06	3	0.18
7. Through the Internet, drug companies have found a more effective and less expensive way in advertising, educating, and promoting their products	0.07	4	0.28
Threats			
1. The cost of R&D has been increasing at an astounding rate, rising currently at a rate of eightfold per year	0.09	2	0.18
2. Due to economic downtime, there has been severe changes in the behavior and spending patterns of purchasers of healthcare products and services	0.08	3	0.24
3. Generic drug firms have filed Abbreviated New Drug Applications (ANDAs) seeking to market generic forms of most of the key pharmaceutical products, prior to expiration of the applicable patents covering those products	0.07	2	0.14
4. By 2012, many major patents, often referred to as Patent Cliffs, will expire, clearing the way for companies involved in the production	0.06	2	0.12

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

of generics to begin manufacturing the most effective and high-grossing drugs on the market			
5. Introducing a new drug into the market can take 10 to 15 years and require extensive amount of money to get it tested and receive FDA approval	0.05	1	0.05
6. Often, drugs could have side effects which create negative publicity and / or force the company to recall the drug or remove it from the shelves	0.07	2	0.14
Total	**1.00**		**2.98**

Positioning Map



E. Internal Audit

Strengths

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

1. J&J offers a wide variety of products and services to hospitals, retailers, and families
2. The company does business in three segments: pharmaceutical, medical devices and consumer products
3. In July 2009, J&J purchased an 18.4 percent stake in Irish biotech company Elan Corp. in order to gain access to the $3 billion market for Alzheimer's disease treatments. The effectiveness of the drug could help the company's sales by $25 billion
4. In 2009, J&J acquired the small cancer drug-developer Cougar Biotechnology for about $894 million in cash. Cougar has an excellent drug for late stage prostate cancer
5. At the end of 2008, J&J reported $7.6 billion in research and developments expenditures, which was a slight decrease from 2007
6. Sales for both consumer health products and medical devices and diagnostics were up from 2007 to 2008 by 10.8 percent and 6.4 percent, respectively
7. The consumer products segment's operating profit increased 17.4 percent from 2007 to $2,674 million in 2008
8. The Pharmaceutical segment operating profit increased 16.3 percent from 2007, and operating profit increased to 31.0 percent to a total of $7,605 million in 2008
9. Operating profit in medical devices segment increased 49.1 percent from 2007 to a total of $7,223 million in 2008

Weaknesses

1. Sales for pharmaceutical segment was down from 2007 to 2008 by 1.2 percent
2. Patent on many of their popular and high volume drugs is about to expire
3. Increase in total liabilities by approximately $4.8 billion from 2007 to 2008
4. In recent years, have not introduced any new innovative product unless by acquiring other companies
5. Per 2009 data, the company's quarterly sales dropped by 5.3 percent from the same period in prior year
6. The selling, general and administrating expenses to sales increased by 0.30 percent from 2007 to 2008

Financial Ratio Analysis (December 2009)

Growth Rates %	J&J	Industry	S&P 500
Sales (Qtr vs year ago qtr)	-5.30	3.20	-4.80
Net Income (YTD vs YTD)	-1.70	5.10	-6.00
Net Income (Qtr vs year ago qtr)	1.10	38.80	26.80
Sales (5-Year Annual Avg.)	8.77	8.49	12.99

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

Net Income (5-Year Annual Avg.)	12.46	15.83	12.69
Dividends (5-Year Annual Avg.)	14.18	14.40	11.83
Price Ratios	**J&J**	**Industry**	**S&P 500**
Current P/E Ratio	14.1	15.3	26.7
P/E Ratio 5-Year High	25.3	18.2	16.6
P/E Ratio 5-Year Low	10.5	5.0	2.6
Price/Sales Ratio	2.94	3.08	2.25
Price/Book Value	3.53	8.10	3.48
Price/Cash Flow Ratio	11.50	12.20	13.70
Profit Margins %	**J&J**	**Industry**	**S&P 500**
Gross Margin	71.1	72.9	38.9
Pre-Tax Margin	27.5	24.0	10.3
Net Profit Margin	21.1	18.7	7.1
5Yr Gross Margin (5-Year Avg.)	71.5	72.1	38.6
5Yr PreTax Margin (5-Year Avg.)	25.4	21.3	16.6
5Yr Net Profit Margin (5-Year Avg.)	19.1	15.9	11.5
Financial Condition	**J&J**	**Industry**	**S&P 500**
Debt/Equity Ratio	0.23	2.30	1.09
Current Ratio	1.8	1.9	1.5
Quick Ratio	1.6	1.6	1.3
Interest Coverage	57.1	20.6	23.7
Leverage Ratio	1.8	4.7	3.4
Book Value/Share	18.27	11.51	21.63

Adapted from www.moneycentral.msn.com

	Avg P/E	Price/ Sales	Price/ Book	Net Profit Margin (%)
12/08	14.20	2.60	3.81	20.3
12/07	17.60	3.21	4.42	17.3
12/06	16.70	3.67	4.86	20.7
01/06	19.30	3.57	4.62	19.9
01/05	20.40	4.01	5.92	17.3
12/03	22.00	3.64	5.59	17.2

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

12/02	26.60	4.47	6.95	18.2
12/01	28.30	5.67	7.43	17.5
12/00	27.60	5.58	7.76	17.0
12/08	14.20	2.60	3.81	20.3

	Book Value/ Share	Debt/ Equity	Return on Equity (%)	Return on Assets (%)	Interest Coverage
12/08	$15.35	0.28	30.5	15.2	38.9
12/07	$15.25	0.22	24.4	13.1	44.9
12/06	$13.59	0.17	28.1	15.7	231.5
01/06	$13.01	0.07	26.0	17.1	242.9
01/05	$10.71	0.09	25.7	15.3	65.9
12/03	$9.05	0.15	26.8	14.9	49.8
12/02	$7.65	0.18	29.1	16.3	58.1
12/01	$7.95	0.11	23.4	14.7	51.6
12/00	$6.77	0.23	24.3	14.5	33.7
12/08	$15.35	0.28	30.5	15.2	38.9

Adapted from www.moneycentral.msn.com

Internal Factor Evaluation (IFE) Matrix

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1. J&J offers a wide variety of products and services to hospitals, retailers, and families	0.08	4	0.32
2. The company does business in three segments: pharmaceutical, medical devices and consumer products	0.08	4	0.32
3. In July 2009, J&J purchased an 18.4 percent stake in Irish biotech company Elan Corp. in order to gain access to the $3 billion market for Alzheimer's disease treatments. The effectiveness of the drug could help the company's sales by $25 billion	0.07	4	0.28
4. In 2009, J&J acquired the small cancer drug-developer Cougar Biotechnology for about $894 million in cash. Cougar has an excellent drug for late stage prostate cancer	0.07	4	0.28

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

5. At the end of 2008, J&J reported $7.6 billion in research and developments expenditures, which was a slight decrease from 2007	0.08	3	0.24
6. Sales for both consumer health products and medical devices and diagnostics were up from 2007 to 2008 by 10.8 percent and 6.4 percent, respectively	0.06	3	0.18
7. The consumer products segment's operating profit increased 17.4 percent from 2007 to $2,674 million in 2008	0.06	3	0.18
8. The Pharmaceutical segment operating profit increased 16.3 percent from 2007, and operating profit increased to 31.0 percent to a total of $7,605 million in 2008	0.06	3	0.18
9. Operating profit in medical devices segment increased 49.1 percent from 2007 to a total of $7,223 million in 2008	0.06	3	0.18
Weaknesses			
1. Sales for pharmaceutical segment was down from 2007 to 2008 by 1.2 percent	0.06	1	0.06
2. Patent on many of their popular and high volume drugs is about to expire	0.09	1	0.09
3. Increase in total liabilities by approximately $4.8 billion from 2007 to 2008	0.05	2	0.1
4. In recent years, have not introduced any new innovative product unless by acquiring other companies	0.07	1	0.07
5. Per 2009 data, the company's quarterly sales dropped by 5.3 percent from the same period in prior year	0.04	2	0.08
6. The selling, general and administrating expenses to sales increased by 0.30 percent from 2007 to 2008	0.07	2	0.14
Total	**1.00**		**2.7**

F. SWOT Strategies

	Strengths	Weaknesses
	1. J&J offers a wide variety of products and services to hospitals, retailers, and families	1. Sales for pharmaceutical segment was down from 2007 to 2008 by 1.2 percent

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

	2. The company does business in three segments: pharmaceutical, medical devices and consumer products 3. In July 2009, J&J purchased an 18.4 percent stake in Irish biotech company Elan Corp. in order to gain access to the $3 billion market for Alzheimer's disease treatments. The effectiveness of the drug could help the company's sales by $25 billion 4. In 2009, J&J acquired the small cancer drug-developer Cougar Biotechnology for about $894 million in cash. Cougar has an excellent drug for late stage prostate cancer 5. At the end of 2008, J&J reported $7.6 billion in research and developments expenditures, which was a slight decrease from 2007 6. Sales for both consumer health products and medical devices and diagnostics were up from 2007 to 2008 by 10.8 percent and 6.4 percent, respectively 7. The consumer products segment's operating profit increased 17.4 percent from 2007 to $2,674 million in 2008 8. The Pharmaceutical	2. Patent on many of their popular and high volume drugs is about to expire 3. Increase in total liabilities by approximately $4.8 billion from 2007 to 2008 4. In recent years, have not introduced any new innovative product unless by acquiring other companies 5. Per 2009 data, the company's quarterly sales dropped by 5.3 percent from the same period in prior year 6. The selling, general and administrating expenses to sales increased by 0.30 percent from 2007 to 2008

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.

以上内容仅为本文档的试下载部分，为可阅读页数的一半内容。
如要下载或阅读全文，请访问：https://d.book118.com/807164100144006121

Copyright © 2011 Pearson Education, Inc. publishing as Prentice Hall.