

COMPANY ANALYSIS



Company Analysis and Strategy of CSL

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COMPANY ANALYSIS

EXECUTIVE SUMMARY

Following the recent pandemic of COVID-19, the Australian Securities Exchange (ASX) has taken a significant hit with some of Australia's largest companies' share prices tumbling in price. Despite businesses giants such as BHP and Commonwealth Bank's share price drop, CSL has managed to become the most valuable corporation on the ASX (Redrup, 2020).

This document aims to explore possible, strengths and weaknesses of CSL using a SWOT analysis. A PESTEL analysis was also conducted to examine external factors that could impact CSL. Porter's 5 forces framework was also used to examine the competition in the biotechnological industry.

COMPANY ANALYSIS

TABLE OF CONTENTS

EXTERNAL ENVIRONMENT ANALYSIS.....	4
INDUSTRY ANALYSIS.....	5
CRITICAL SUCCESS FACTOR IDENTIFICATION AND PRIORITISATION.....	6
COMPANY ANALYSIS.....	7
SWOT ANALYSIS.....	9
RECOMMENDATIONS.....	10
REFERENCES.....	11

1 EXTERNAL ENVIRONMENT ANALYSIS

A PESTEL Analysis was conducted to examine and analyse how various factors such as political, economic, social, technological, environmental and legalities impact CSL which help identify potential weaknesses and threats to the organisation during the pandemic (Yüksel, 2012).

PESTEL ANALYSIS

Political

Laws and legislation such as trade agreements and Food and Drug Administrations across the world can impact the accessibility to CSL products. Laws relating to trade and drugs approval across countries varies (Mulaje, 2013). This means some products may have been trialled, tested and approved in one country but standards may not be the same in another. As a result, some products produced by CSL may not be able to be sold in other countries.

Economic

Pandemics such as COVID-19 can be seen to negatively impact the market share of large companies. In the event of a pandemic where a lot of people are losing their jobs, and businesses stop turning over the profit they initially were, people can be prone to selling their shares to reclaim their money before the stocks lose their value or even worse going broke (McKibbin and Fernando, 2020).

Social

CSL's brand image is important to their sales. Their brand recognition promotes its new products (CSL, 2020). Ensuring that the company instils its values of diversity and social progression maintains the brand's identity. Any defective medical products and poor working conditions would severely hinder the company's image (Wheeler and Identity, 2006).

Technological

Technological development into new research techniques as well machinery would positively impact CSL. The medical field and knowledge are constantly growing and with more information and easier access to new knowledge via the internet and the use of internet of things, the process of research and development and be greatly enhanced reducing the time of projects (Sylvia-Pacuilla, 2006).

Environmental

Existing and emerging competitors. The recent pandemic of COVID-19 creates competition to find a vaccine/treatment for COVID-19. Emerging companies such as universities would also be contributing to fight the virus (Quintana-Garcia and Benavides-Velasco, 2004). The originator for a COVID-19 vaccine means they will own the intellectual property securing a huge market in the industry right now.

Legal

CSL products have to follow the rigorous trial in order to receive the seal of approval (Elfring and Schiltz, 1973). This means that the company's drugs have passed their trial stages and are allowed to go to market. This can hinder the process of moving new treatments forward. Intellectual property is also another consideration. Ensuring that a process cannot be taken by competitors to avoid lawsuits.

2 INDUSTRY ANALYSIS

The industry analysis will be conducted using Porter's Five Forces Framework. The framework is to be utilised by examining the competition in a similar market to CSL. Porter's Five Forces analysis will examine the bargaining power of suppliers, the threat of new entrants, bargaining power of buyers, substitute entrants and existing rivalries (Dobbs, 2014).

The threat of new Entrants

Weight: High

The threat of new entrants is likely. With the increasing threat of COVID-19 globally there is a race for a cure. Universities and other smaller companies around the world are racing to find a cure. The smaller groups such as universities already have facilities and resources as well a data to compete with larger corporations (ScienceBusiness, 2020). The development and production of an effective vaccine for COVID-19, it would be expected to make the businesses millions if the intellectual property is patented.

Bargaining Power of Buyers

Weight: Medium

Bargaining power of the consumer can vary depending on the availability of specific medication. If CSL owns exclusive rights to a specific medication, then the consumer has no power (Kaushik, Tripathy and Dureja, 2014). However, more generic medications such as paracetamol, which is manufactured by lots of different companies, the consumer has more power in deciding who they purchase from.

The threat of Substitute Product Services

Weight: Medium

The threat of substitute services is a perceived medium risk. This is due to patents and intellectual property (Schlicher, 1987). If CSL owns the rights to specific medications, they have synthesised there would be no perceived threat. If those patents, however, are due to expire/expired, then there is nothing to stop other competitors to synthesise a cheaper alternative.

Bargaining Power of Suppliers

Weight: High

Amidst the pandemic of COVID-19 research, companies would be expected to increase their research and design. Large biotechnological companies such as CSL may require more staff, more equipment. Other larger companies such as Opthea Limited would also require more equipment. Where suppliers may have limited resources, they have a lot of leverage in the pricing of their products who they decide to sell their equipment to (Villena, Revilla and Choi, 2011).

Rivalry Among Existing Competitors

Weight: High

There are several behemoth biotechnological companies operating in Australia such as Opthea Limited and Mesoblast Limited. CSL is the fifth largest biotechnological company operating in the world. With even larger companies operating in the same field the threat of larger companies threatens CSL share price if they are to discover a COVID-19 vaccine first (Redrup, 2020).

3 CRITICAL SUCCESS FACTOR IDENTIFICATION AND PRIORITISATION

The following factors have been identified as the critical success factors in order for CSL to maintain their share value price (Leidecker and Buno, 1984).

Strategic focus (leadership management planning)

Priority: Urgent

Leadership and management are essential to the performance and establishment of developing a COVID-19 vaccine. It is managements responsibility to liaise with the governing bodies in Australia and the Ethics community as well as the employees working across the 35 countries where CSL is based. Leadership requires constant shareholder and stakeholder engagement throughout the pandemic to maintain its leadership in biotechnology (Cook and Glass, 2011).

Operations (process, work)

Priority: High Priority

Operations are essential to CSL's development of a vaccine and new medications. Ensuring that the infrastructure and suppliers are available to provide the biotech facilities with the correct medical equipment, tools and chemicals are paramount to the medical advancements. Business relations, logistics and services are also necessities to the development of medical advancements (Whacker, 1988). This operations in relation to the development of COVID-19 vaccines would aim to be completed within a 12-month period.

Finances (assets facilities and equipment)

Priority: High priority

Finances are not an issue in relation to an established company such as CSL. The company is the 5th largest biotechnology group in the world. They are currently investing more than 832 million US dollars into research and design (CSL, 2020). The issue of not having enough funding is not a problem. All research must be paid upfront though, for any developments, so disposable cash must be immediately available.

People (staff, learning development)

Priority: Routine (Medium priority)

Staff are essential to maintaining market share value whilst the COVID-19 pandemic continues. The staff are essential to maintaining research and development and ensure the production of essential medication to help contribute to global effort to find a vaccine by utilising employee expertise and research (CSL, 2020).

Marketing (sales, customer relations)

Priority: Routine (medium priority)

Marketing and sales are a medium priority to maintain shareholder value. Keeping the public informed of CSL's involvement in aiding with the development of a cure for COVID-19 is beneficial for the brands-name (CSL, 2020). Marketing is also important to maintain CSL's foothold in the market concerning medicinal production and current research initiatives.

COMPANY ANALYSIS

4 COMPANY ANALYSIS

CSL’s business strategy is based on a 3-step plan, which emphasises “people and culture”, “Innovation” and “Product Differentiation” (CSL, 2020). The company highly regards ‘Nobel strategic indent, social responsibility. Drawing focus to highly skilled employees to drive the company through innovation and research, the company aims to succeed by focusing on remaining different from other companies by developing treatments/vaccines for rare diseases and viruses.

Porter’s Generic Position (Tanwar, 2013)

	Low Cost	Product Service/Uniqueness
Broad (Industry-Wide)	- Reduce costs by implementing pay cuts to upper management positions, until the coronavirus pandemic is controlled.	- Employees are specialised. With a large number of PhD and master graduates in the field of biochemistry allows for the manufacturing of specific medication.
Narrow (market Segment)	- Offer cheaper prices on specialised drugs and medications. This can undercut any new competitors trying to emerge in the market of rare diseases/disorders.	- CSL differentiates themselves from other businesses by drawing a specific focus on findings treatments/cures for rare disease/viruses. Majority of their research and design is specialized making them leaders in their field.

COMPANY ANALYSIS

Business Functions Analysis

Finance

Considering the impact COVID-19 has had on large Australian businesses, CSL is performing substantially well with a dividend yield of 1.5 per cent and a pay-out ratio of less than 50 per cent (CSL, 2020). Despite CSL trading at 40 times forward earning, similar businesses in the market are also aligned with CSL's financial performance (CSL, 2020). This information shows that biotech companies are maintaining their share value as they continue to invest in research and design to combat COVID-19 pandemic. The company carries a substantial amount of inventory required for research. It can be expected that inventory cost would be expected to climb with more money being invested in research and design.

Marketing

CSL uses its well-established current brand image and recognition to sell their new and developmental products. CSL is able to promote their products through a health care professional and hospitals. Selling their products at conferences and demonstrating their products to health care professionals helps promote their products where medical personally can further refer patients to CSL products. This gives their products credibility in the eyes of the consumer (CSL, 2020).

Human Resources

CSL employees 25,000 people, duties ranging from manufacturing to lab technicians across 35 countries. Human Resources have found that employees working for CSL have a strong sense of loyalty for their profession (CSL, 2020). They are not driven by financial incentives; however, they are more interested in contributing to the community by making a difference (CSL, 2020). CSL has different cultural undertones across the world where each country has its own preferred method of working. CSL is recognised as one of the most diverse and inclusive workplaces.

Operations

Operations within the CSL corporation is a complex network divided between research and design, logistics/wholesaling and manufacturing. The company has buildings established in 35 countries worldwide (CSL, 2020). Orchestrating so complex business functions requires a substantial amount of coordination from management. When a new breakthrough occurs within CSL, the priority is to commercialise the product as soon as possible (CSL, 2020). This ensures that lives can be saved and become available on the market as soon as possible to compete with competitors.

COMPANY ANALYSIS

5 SWOT ANALYSIS

A SWOT analysis was used to examine CSL's Opportunities, Strengths Weaknesses and Threats concerning the development of new biotechnologies amidst the COVID-19 pandemic. The SWOT analysis allows CSL to examine and develop a strategic plan based on their current position (Pickton and Wright, 1998)

SWOT ANALYSIS

	OPPORTUNITIES	THREATS
	<ul style="list-style-type: none"> - Increased R & D - Environmentally sustainable products - Social Support - New Trade Agreements - COVID-19 vaccine 	<ul style="list-style-type: none"> - Government Restrictions - Government regulations - Disruptive Technology - Supplier Demands - Competition
STRENGTHS <ul style="list-style-type: none"> - Innovation - Top 5 Biotech Companies - Positive Social Values - Adaptive - Strong Brand awareness - Skilled workforce 	<ul style="list-style-type: none"> - Development of Environmental products - Using the companies brand awareness to lower their prices to support consumers in need of help. - Begin to develop a COVID-19 vaccine - Sell their product in other countries they aren't established in. 	<ul style="list-style-type: none"> - Develop community programs focusing on helping the needy. - Increased R & D to maintain leadership in the market of rare disease - Larger corporations selling their products at a cheaper price. - FDA prohibiting the sales CSL products in some countries.
WEAKNESSES <ul style="list-style-type: none"> - Focus on 'rare' diseases only - Complex operations - Is not looking for COVID-19 vaccine - 5th largest biotech group - Lack of environmental awareness - Lack of resources/equipment 	<ul style="list-style-type: none"> - Establish a better infrastructure with other business with government support. - Focus on environmental products to compete against other businesses. - Use research and design to improve operations. - diversify and look to - Diversify product range outside of rare disease. - A chance to source equipment from new suppliers. 	<ul style="list-style-type: none"> - Lack of resources can result in competition getting ahead in R & D. -Government restrictions could prevent the authorization to sell products. - Larger companies/emerging companies could produce a COVID-19 vaccine - A complex operation may not meet the suppliers demand globally.

6 RECOMMENDATIONS

Increase Research and Development

The benefits of increasing research and development illustrate that the company is still operational and has the cash flow to invest another project (Hud and Hussinger, 2015). Continuing to research and trade will put CSL ahead of competitors who are choosing to allocate finances in other sectors. Continuing development can give CSL an edge on the latest coronavirus and continue to manufacture products that aide consumers in the midst of the COVID-19 pandemic (Lee, Beamish, Lee and Park, 2009). Considering rare disease and disorders is CSL's speciality, being replaced by a competitor could prove detrimental to the company (CSL, 2020). The time frame for research and development should continue for 12-18 months. It is predicted that it could take 12 months to find a vaccine (Arnold, 2020). As long as the virus is active so should the research and development team remain active. Research and development are expected to be led by upper management. The focus on maintaining company values is expected to maintain CSL's brand identity as aiming to help those in need even in economic crisis (Hawabhay, Abratt and Peters, 2009).

Adjust prices to suit consumers

The benefits of using dynamic pricing by making product prices cheaper than the competitors aim to increase sales and preserve the brand image through socially positive actions (Chenavaz, 2012). This is also expected to drastically undercut competitors allowing CSL products to stand-out to customers who are struggling financially during the COVID-19 pandemic (Ferreira and Ribeiro, 2017). Issues associated with this method is the result of smaller profit margins. If the company doesn't generate enough profit from increased sales, the revenue could be substantially less than other years resulting in a profit loss. The expected timeframe this strategy would be implemented is 12-18 months depending on the economic state of countries the products are being sold in. If the strategy is failing to increase sales during this time the project can be cut. This is expected to maintain the brand's identity as aiming to help rather than focus on profits during economic hardship (Grier and Bryant, 2012)).

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COMPANY ANALYSIS

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COMPANY ANALYSIS

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