Week 6 Assignment 2

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BUS499 Business Administration Capstone

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August 10, 2019

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McKesson is an international company that deals with the distribution of medical supplies in the United States. The company’s main priority is to provide quality healthcare and to improve care through one product and one patient at a time (Clemons & Row, 1988). In line with McKesson Corporation, the paper will provide the company’s general environment and analyze the company with relation to the five forces of competition. It will also undertake the company’s SWOT analysis and identify strategies to improve on the company’s opportunities, threats, strengths, and weaknesses.

**General Environment**

The two segments of common environment that rank the highest with regards to McKesson is technology and environmental sustainability. These segments have been crucial towards the company’s success. McKesson Corporation believes that communities can thrive best in a healthy environment, the reason why they are sharpening their focus towards environmental sustainability. The company has established new practices across the business that are meant to capture the most critical metrics and act on recommendations that facilitate a healthy environment. In a bid to achieve this and lessen the carbon footprint, the company has increased the use of LED lighting where it has cut the footprint of carbon and reduced emissions significantly (Clemons & Row, 1988). The promotion of fuel efficiency is essential considering the company is focused on the transportation and distribution of its products.

Technology is an essential segment in the growth of the corporation. McKesson is a provider of healthcare information technology solutions and associates with other organizations and pharmaceutical providers to provide the right kind of medication and healthcare services to patients in a timely, safe and cost-effective manner. The company’s business solutions often develop and install healthcare IT system for physicians, hospitals, and imaging centers which increases its scope of service delivery. The company is well known for providing extensive infrastructure for the healthcare sector and is an early adopter of various technologies such as RFID and pharmacy robotics among others. This segment has created business for the company owing to the fact that technology is evolving rapidly and is a requirement for most organizations.

**Five Forces of Competition**

Porter’s five forces is a tool that is often used in the assessment of the industry with relation to a particular company. In this case the company of interest is McKesson. The forces of interest are suppliers’ bargaining power, buyers’ bargaining power, and threat of substitutes, rivalry and barrier to entry (Porter, 2008).

**Item 1: New entrants**

New entrants into the industry often act as a source of pressure to the company (Porter, 2008). McKesson experiences weak barriers to entry owing to the fact that the medical industry doesn’t limit entry but rather regulates the quality of entrants. As a result, new entrants have been introducing new types of innovation which has caused the company to experience pressure in terms of reduced costs of particular products and services. Customers have also been provided with new value propositions and new entrants have been provided with low costs of products. This threat is important in that the company will be required to innovate new products in order to maintain its current market share while still ensuring that it appeals to the demographics in the new population. In addition, the firm will need to build on its economies of scale in order to reduced fixed cost per every unit. This is essential in that it will provide the firm with the room to reduce its prices when put under pressure by entrants. This will necessitate the company to undertake extensive research and development in order to redefine the company dynamics with much ease. This will enable the company to create barriers to new entrants since new firms will have a hard time when competing with the company.

**Item 2 Rivalry**

Rivalry between McKesson and its competitors such as AmerSourceBergen has increased in the recent past exponentially. Michael explains that when the intensity of rivalry is on the rise, prices are often driven down by the profitability which lowers that of the entire industry (Porter, 2008). This is one of the reasons which have facilitated the company’s diminished return on the assets ratio. The industry that McKesson operates in has experienced high levels of competition such that competing with other firms for a long time has had a significant toll on the company’s profitability in the long term. This force is important in that it has necessitated the need for McKesson to create sustainable differentiation of its branding and its products. The firm must also enhance its scale in order to compete at an advanced level particularly in the international market.

**Evaluation**

In the recent past, McKesson has shown its ability to address the threat of new entrants by developing brand loyalty by working on its customer relationship continuously. The company has also invested in various development and research activities which have provided the company with valuable data and innovative products which have established a strong basis of differentiation from its competitors. With regards to rivalry, the company has focused on the fulfillment of customer needs which has strengthened its foundation and differentiated from other companies. It has also created long-term relationships with its customers which has created an edge above its competitors.

**Future Improvements**

In the future, McKesson can deal with rivalry and the threat of new entrants by focusing on the implicit needs of its customers. It should work hard to meet the expectations of its clients in order to strengthen its foundation and create a competitive edge in the market. The company should also collaborate with its competitors to establish mutually beneficial grounds for the companies in the industry.

**External Threats and Opportunities**

McKesson’s SWOT analysis shows that the company has a strong market for its generic medication and has taken into consideration the health needs of the ageing population. The agenda of the public policy also supports access to quality healthcare solutions which gives the company a higher margin in the industry (Bartusková & Kresta, 2015). However, the company is faced with the threats of there being changes in the legal aspect of company’s healthcare business. There is also the threat of having other software companies making an entrant into the industry thus increasing competition.

**Threats and Opportunities Strategies**

The greatest opportunity is that the company has a wide market for its medication. The company should invest market research in order to understand and meet the needs of its customers. Having a wide market for its products has separated it from its competitors and given it an edge in the market (Hitt et al., 2013). The greatest threat is the possibility of having the entry of new software companies which could increase competition in the industry (Bartusková & Kresta, 2015). This would require the company to invest in increase research and product development in order to remain in business.

**Strengths and Weaknesses**

McKesson has a competitive edge over its competitors owing to the fact the company has a total of 36,000 employees and a customer base that is bigger than 100000 physician customers. Besides, the company has a strong position of liquidity and international offices in various parts of the world including France, Ireland, the UK and Netherlands (Muñoz et al., 2016). However, the company is faced by weaknesses that affect its ability to achieve stipulated objectives. For instance, legal complications that are involved in drug testing and high dependence on restricted business segments could affect its growth potential.

**Strategy**

McKesson should take advantage of its employee and the huge customer base by ensuring that the employees are well compensated. The customers should also be provided with quality products to enhance customer loyalty (Manteghi & Zohrabi, 2011). The company should also expand its boundaries to other parts of the world in order to handle the problem brought about by restricted business segments.

**Resources, Capabilities, and Core Competencies**

The resources, core competencies, and capabilities are anchored on the company’s ability to promote sustainability and provide quality products (Hitt et al., 2013). The company’s core competency is the ability to provide essential technical solutions and to meet the needs of its customer base. The company has a huge base of qualified employees who help to provide quality products. It also serves a wide scope of customers and benefits from a competitive edge above its competitors which provides the company with the required resources to engage in the market.

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