**Case 1:**

**Bristol-Myers Squibb’s Growth through Addition, Subtraction, and Sharing**

Case Teaching Note

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*How to use this case*: This is one of three short cases that were included in the text to allow the Professor to involve the students in a case with minimal time preparation (the other cases are “J.C. Penney’s Turnaround Strategy,” and “Wells Fargo’s Remarkable Ascent”). Therefore, this case is great for class discussions or for examination purposes. It is new, timely, and centers on company strategy. Unlike the majority of cases in the book, this one is presented without financial or accounting data, so students quickly recognize the value of systematic analysis and cogent evaluations.

*This case works especially well with chapter*: *Strategic Management* Chapter 7

*This case emphasizes the topics of*: horizontal acquisition, divestiture, and strategic alliance

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Between 2007 and 2013, Bristol-Myers Squibb (BMS) implemented a strategy to refocus its operations on biopharmaceuticals. The company achieved success in this process by utilizing three grand strategies: horizontal acquisition, divestiture, and strategic alliance. In combination, the grand strategies led to a greater concentration of BMS’s resources on the biopharmaceutical industry.

Horizontal acquisitions were the primary strategic focus. Horizontal acquisitions occur when a firm grows by purchasing similar firms at the same stage of the production-marketing chain (*Strategic Management* Chapter 7). The company’s targets for horizontal acquisition were small and medium size businesses in the biopharmaceutical industry that had strong product pipelines. BMS desired these businesses because they were faced with a dwindling product pipeline due to expiring patents of blockbuster drugs. Between 2008 and 2011, the firm spent nearly $3 billion on horizontal acquisitions, the largest being $2.3 billion in 2009 (Case Paragraphs 3-12).

For example, in 2009, the firm acquired Medarex for $2.3 billion in order to improve its biologics capabilities and expand its oncology pipeline. From the perspective of the BCG Growth-Share Matrix, BMS acquired “question mark” companies and “star” companies with the hope that these businesses will eventually become “cash cows” for them (*SM*C 7).

The advantage of divestiture is that it enabled BMS to eliminate mismatches between it and an acquire firm. A misfit division may be underemphasized in strategic planning and may also confuse stakeholders about the corporate mission. Such conditions led to the spinoff of Tyco, ADT, and Zimmer. Each of these businesses was an expendable business unit that produced ultrasound machines, baby formula, and surgical bandages. As results of the divestitures, Bristol manufacturing activities declined by 50% and two thirds of employees were laid off by the year 2013.

BMS utilized strategic alliances to contractually partner with companies to that provided skills and expertise to a cooperative project (*SM*C 7). BMS entered into a strategic alliance with Reckitt Benckiser in 2013. Reckitt Benckiser was given exclusive rights to sell, distribute, and market seven different products for BMS for three years, which led to a substantial increase in market share for BMS products in Latin American markets such as Mexico and Brazil.

After acquiring a cancer therapeutics company, Bristol entered into a strategic alliance with Exelixis which gave them the development and commercialization rights to two favorable cancer fighting molecules (CP 7). Bristol also used a strategic alliance to provide access to outsourcers by joining forces with Samsung Biologics in 2013. BMS agreed to a 10-year deal that secured a loyal customer for Samsung Biologics, increased manufacturing capabilities, and ensured a steady supply of the antibody cancer drug being produced for Bristol (CP 20).