MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY

Name of the faculty	**EDUCATION AND RESEARCH INSTITUTE "KARAZIN BANKING INSTITUTE"**
Name of the department	**Management, Business and Professional Communications**
Specialty:	**073 Management**
Educational program:	**Management of Organizations and Administration**
Group:	**AM-25M (full-time mode of study)**

QUALIFYING MASTER'S THESIS

on the topic:

WAYS TO IMPROVE THE COMPANY'S STRATEGIC MANAGEMENT SYSTEM

student of higher education **Peng Qiaoxia**

The work is accepted for defence in the EC

Head of Department
PhD in Economics, Associate Professor
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Kharkiv 2024

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25 September 2024

TASK
FOR A QUALIFYING MASTER'S THESIS
Peng Qiaoxia

1. Topic of work: "WAYS TO IMPROVE THE COMPANY'S STRATEGIC MANAGEMENT SYSTEM".

Scientific adviser Iryna Denchyk
(full name, academic degree, academic title)

Approved by order of the university dated September 17, 2024 № 4601-5/1025.

2. The deadline for student submission of work November 18, 2024.

3. List of topics to be developed:

• In Chapter 1: to explore the essence of strategic management and its role in corporate development; to analyze modern tools and techniques in strategic management; to provide a detailed explanation of each stage of the company's strategic management system.

• In Chapter 2: to provide techno-economic characteristics of Yunnan Watson Biotech; to evaluate the effectiveness of the current management strategies at the company; to analyze the advantages and disadvantages of the company's strategic management system.

• In Chapter 3: to propose innovative methods in strategic management; to recommend innovative approaches specific to Watson Biologics' strategic management; to summarize innovative paths and practices for improving the company's strategic management system.

4. Plan of qualifying master's thesis

№	Names of work sections
1	THEORETICAL FOUNDATIONS OF CORPORATE STRATEGIC MANAGEMENT
2	STRATEGIC MANAGEMENT ANALYSIS OF YUNNAN WATSON BIOTECH
3	APPROACHES TO IMPROVING THE STRATEGIC MANAGEMENT SYSTEM OF WATSON BIOLOGICS

5. Date of issue of the task September 25, 2024.

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Scientific Adviser ____________ Iryna Denchyk
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ABSTRACT

The qualifying master's thesis contains 67 pages, 3 figures, 5 tables, and a list of 40 references.

The object of research is Yunnan Watson Biotech.

The subject of research is the strategic management system of the company and its development through innovative approaches.

The purpose of the master's thesis is to formulate scientific and practical recommendations for optimizing the strategic management system of Yunnan Watson Biotech to enhance its competitiveness and efficiency.

Tasks of a qualifying master's thesis include:

- to study the essence of strategic management and its role in corporate development;
- to analyze modern tools and techniques in strategic management;
- to explain each stage of the company's strategic management system;
- to provide techno-economic characteristics of Yunnan Watson Biotech;
- to evaluate the effectiveness of the company’s current management strategies;
- to analyze the advantages and disadvantages of the company's strategic management system;
- to propose innovative methods for strategic management;
- to recommend innovative approaches specific to Watson Biologics;
- to summarize innovative paths and practices for improving the company’s strategic management.

The research outcomes establish theoretical and practical principles, resulting in actionable proposals for improving the strategic management system at Yunnan Watson Biotech.

The obtained results are relevant for other companies seeking to refine their strategic management approaches in response to dynamic market demands.

Year of completion of the qualifying master's thesis: 2024.

Year of defense of the qualifying master's thesis: 2024.

CONTENT

INTRODUCTION

In an era marked by rapid technological advancements and intensified global competition, strategic management has become a vital determinant of organizational success. Companies are required to adopt innovative strategies to remain resilient in the face of volatile markets, evolving consumer demands, and technological disruptions. For Watson Biotech, a pioneer in biopharmaceutical innovation, strategic management is not only a means of achieving competitive advantage but also a framework for driving sustainable growth and responding effectively to global health challenges.

Watson Biotech has achieved significant milestones in the vaccine industry, with notable achievements including its 13-valent pneumococcal conjugate vaccine and various HPV vaccines. However, the company's performance in recent years has revealed several strategic missteps. These include misjudgments of market demand, delays in product launches, and inefficiencies in resource allocation, which have impacted its financial stability and market share. Despite these challenges, the company has the potential to reclaim its leadership position through enhanced strategic management practices.

This thesis explores the theoretical foundations of corporate strategic management, focusing on the integration of classical and modern tools such as SWOT analysis, the Business Leadership Model (BLM), and the Balanced Scorecard (BSC). It delves into the specific challenges faced by Watson Biotech, including its reliance on limited product lines, competitive pressures, and the need for greater agility in R&D and market responsiveness. By analyzing the company’s internal and external environments, this study provides actionable insights for improving its strategic management system.

The importance of strategic management extends beyond corporate profitability to encompass sustainable development and social responsibility. Watson

Biotech's role in addressing global health issues places it at the intersection of business strategy and societal impact. Thus, this research highlights not only the mechanisms for achieving organizational efficiency but also the pathways for aligning corporate objectives with broader societal goals.

This introduction provides an overview of the research problem, emphasizing its relevance in the context of Watson Biotech's operational landscape and the broader vaccine industry. The following chapters systematically address the company's current strategic management framework, identify its strengths and weaknesses, and propose targeted solutions to enhance its strategic outcomes. Ultimately, this study seeks to contribute to the field of strategic management by presenting a practical and adaptable framework that other companies in the biopharmaceutical sector can also adopt.

CHAPTER 1
THEORETICAL FOUNDATIONS OF CORPORATE STRATEGIC MANAGEMENT

1.1. The Essence of Strategic Management and Its Role in Corporate Development

The essence of business lies in competition within an uncertain environment. Although the methods of competition have varied across different eras, they all rely on "strategy" to reduce uncertainty. As stated in _The Art of War_ by Sun Tzu, winners are those who plan thoroughly, while losers often lack sufficient planning. Therefore, reasonable planning beforehand is a necessary prerequisite for action. Although planning does not guarantee victory, the absence of planning makes victory difficult, unless one is exceptionally lucky. [1]

1.1.1 The Essence of Strategic Management

Strategy is a systematic planning and action plan formulated by an organization or nation to achieve long-term objectives in a complex and ever-changing environment. It transcends short-term tactics and focuses on overall long-term arrangements. Throughout Chinese history, many outstanding strategists have emerged, such as Sun Tzu, Zhuge Liang, and Mao Zedong, whose thoughts have significantly influenced global strategic management and the military field. Today, strategic management combines ancient wisdom with modern management theories to enhance corporate competitiveness. The success of companies like Huawei highlights the crucial role of strategic governance. The core of strategic management lies in scientific resource allocation and precise environmental analysis, aiming for sustained competitive advantage, both grounded in the present and looking towards the future. Moreover, the improvement of strategic governance is essential for the effectiveness of strategic management, ensuring smooth execution of long-term strategies. [2] In the practice of strategic management, enterprises should not only consider short-term profitability but also emphasize long-term sustainable development. Strategic management involves comprehensive analysis and integration of internal resources and external environments of the enterprise, formulating strategic decisions that can maintain the enterprise's competitiveness over the long term.

1.1.2 The Role of Strategic Management in Corporate Development

Corporate strategic management, through systematic analysis and planning, helps enterprises cope with complex challenges in a dynamic environment, ensuring long-term competitive advantage and sustainable growth. Strategic management enables enterprises to:

(1) Establish Clear Organizational Direction

The primary task of strategic management is to establish a clear vision and mission for the enterprise, transforming them into executable long-term goals and plans. This clear direction not only guides the future development of the enterprise but also establishes a common foundation at the strategic level for the entire organization. Within the enterprise, different departments and employees may have different short-term goals and priorities. Strategic management, by setting overall goals, unifies these dispersed forces, ensuring that the entire organization moves in the same direction. Additionally, in an era of increasingly fierce global competition and rapid technological advancements, strategic management helps enterprises avoid short-sighted decision-making modes, setting a solid foundation for long-term development. For example, Tesla, through its early clear development strategy for electric vehicles, overcame short-term financial pressures and eventually led the global electric vehicle market. [3]

(2) Enhance Competitive Advantage

Through in-depth analysis of the internal and external environments of the enterprise, strategic management identifies and leverages the core competencies of the enterprise, strengthening competitive advantage through differentiated market strategies. In the modern market, competitive advantage not only stems from product quality or price but also includes technological innovation, brand influence, supply chain management, and other dimensions. Through systematic strategic planning, enterprises can formulate clear competitive strategies, whether adopting cost leadership, differentiation, or focused strategies, ensuring their uniqueness and advantageous position in the industry. For instance, Huawei, through technological innovation and strategic global market layout, has established a strong competitive advantage in the mobile communication field, particularly in the development and application of 5G technology, surpassing many international competitors. [4]

(3) Efficient Resource Allocation

The scarcity of resources necessitates strategic management for optimal resource allocation. Strategic management helps enterprises examine the relationships between internal resources (such as human, financial, and technological resources) and external resources (such as markets and partners), ensuring that each resource is used where it yields the most benefit. Through this process, enterprises can balance short-term and long-term interests, preparing for current market competition while leaving room for future expansion and innovation. For example, Google has successfully diversified its strategy by highly concentrating and managing its internal R&D resources, quickly expanding into emerging fields such as cloud computing and artificial intelligence beyond its core search engine business. [5]

(4) Respond to Environmental Changes and Uncertainty

In an ever-changing external environment, the risks and opportunities faced by enterprises are rapidly changing. Strategic management helps enterprises 敏锐 capture the changes in the environment and make timely adjustments. By analyzing external factors such as politics, economics, society, technology, environment, and law, enterprises can predict potential threats and opportunities and prepare countermeasures in advance. In this process, strategic management particularly emphasizes "dynamic capabilities," the ability of enterprises to respond quickly and adjust strategies. This capability not only reflects the enterprise's response speed to market changes but also how it adjusts internal structures, resources, and processes to adapt to new external environments. For example, in response to the sudden outbreak of the COVID-19 pandemic, many enterprises quickly adjusted their supply chains and underwent digital transformation, reducing the impact of the crisis and even seizing new market opportunities.

(5) Promote Innovation and Change

Innovation is a driving force for enterprises to survive and develop in the fierce market competition. Strategic management builds an innovation framework, stimulates the enterprise's internal innovation potential, and provides support for change. Through in-depth analysis of market trends and customer needs, enterprises can discover unmet needs or potential market gaps and drive innovation in products, services, and business models accordingly. Strategic management not only promotes technological innovation but also encompasses innovation in management models, processes, and organizational structures. For example, Amazon, through strategic innovation, has not only succeeded in e-commerce but also expanded into areas such as cloud computing and artificial intelligence, becoming one of the most innovative companies in the world.

(6) Promote Organizational Coordination and Collaboration

Large enterprises and diversified business units often face challenges in internal coordination and collaboration. Through strategic management, clear communication mechanisms can be established among various business units and functional departments, reducing resource waste and conflicts, and forming an overall synergistic effect. Strategic management provides clear division of labor and cooperation frameworks for each department, making the enterprise more efficient at the execution level. For example, Procter & Gamble, through its global strategy, coordinates closely between marketing, production, and R&D departments in different countries and regions, ensuring consistent brand image and cost-effectiveness maximization globally.

(7) Long-term Sustainable Development

With the increasing awareness of global sustainability, an enterprise's long-term success depends not only on economic benefits but also on environmental and social responsibilities. Strategic management integrates sustainability goals into the corporate strategy framework, helping enterprises balance profit with social and environmental responsibilities. More and more enterprises realize that only by balancing economic interests with social and environmental relations can they maintain legitimacy and competitiveness in the future market. For example, Nestlé has implemented a sustainability strategy to ensure the sustainability of its supply chain, reduce negative environmental impacts, and enhance brand reputation through responsible business practices. [6]

1.2. Modern Tools and Techniques in Strategic Management

This section will provide a detailed introduction to several widely used tools and methods in strategic management, including Balanced Scorecard (BSC), Business Leadership Model (BLM), SWOT analysis, and comprehensive budgeting management.

1.2.1 SWOT Analysis

SWOT analysis is a classic strategic management tool designed to assess a company's internal resources and external environment. Proposed by Harvard Business School professor Kenneth Andrews in the 1960s, this tool helps companies analyze their Strengths, Weaknesses, Opportunities, and Threats to comprehensively evaluate internal and external conditions and select optimal business strategies to ensure competitive advantages.

In strategic management, the core function of SWOT analysis lies in helping companies identify their core competencies and formulate market-adaptive strategies based on changes in internal and external environments. For instance, when analyzing internal strengths and weaknesses, companies can evaluate their resource allocation, management level, and technological capabilities. Meanwhile, when analyzing external opportunities and threats, companies need to focus on macroeconomic environments, policies, regulations, and market competition. This comprehensive analysis aids companies in optimizing resource integration and developing long-term strategies aligned with future development.

The four core elements of SWOT analysis—strengths, weaknesses, opportunities, and threats—form the framework for corporate strategic analysis. Strengths and weaknesses are internal factors, while opportunities and threats arise from changes in the external environment. For example, strengths might include technological innovation, brand recognition, or resource abundance, while weaknesses might involve inefficiencies in management or insufficient market share. External opportunities could stem from policy support or emerging market opportunities, while threats might arise from intensified market competition, technological changes, or economic fluctuations.

In SWOT analysis, different results correspond to different strategic choices:

1. SO (Strengths-Opportunities) Strategy: Utilize internal strengths to seize external opportunities to achieve optimal resource allocation. This strategy emphasizes "leveraging strengths and capitalizing on opportunities."

2. WO (Weaknesses-Opportunities) Strategy: Despite existing weaknesses, companies can compensate by seizing external opportunities, focusing on "utilizing opportunities to mitigate weaknesses."

3. ST (Strengths-Threats) Strategy: When external threats exist, companies can use their strengths to resist risks, ensuring competitive advantage. The key is to "use strengths to prevent threats."

4. WT (Weaknesses-Threats) Strategy: When facing internal weaknesses and external threats, companies need to adopt defensive strategies to minimize risks. This

strategy aims to “minimize the negative impact of weaknesses and threats.”

SWOT analysis plays a pivotal role in strategic management in several aspects:

1. Internal Resource Assessment: By identifying a company's core competencies and improvement areas, SWOT analysis helps clarify resource allocation directions and optimize management efficiency.

2. External Environment Analysis: Through evaluating market opportunities and threats, SWOT analysis helps companies identify potential market opportunities and risks to avoid, thus formulating more targeted market strategies.

In practical application, companies often use macro analysis (such as the PEST model) and industry competition analysis (such as Porter’s Five Forces model) to identify external opportunities and threats. Simultaneously, internal resource and value chain analyses help companies identify their core competencies and clarify their strengths and weaknesses within the value chain. This dual analysis provides a holistic view that enables companies to accurately identify strengths, weaknesses, opportunities, and threats, offering comprehensive strategic insights and forming corresponding strategies.

1.2.3 Balanced Scorecard (BSC)

The Balanced Scorecard (BSC) was introduced by Robert Kaplan and David Norton from Harvard Business School in 1992 to overcome the limitations of traditional performance management methods that heavily rely on financial metrics. Traditional performance management often neglects the importance of non-financial factors in the long-term development of enterprises. BSC, with its multidimensional evaluation system, enables organizations to comprehensively and systematically assess and manage strategy execution.

In an increasingly competitive business environment, the Balanced Scorecard provides managers with an integrated tool to help companies clarify goals and find ways to achieve them. BSC translates a company’s vision and strategy into a set of comprehensive performance metrics encompassing four key dimensions: Financial, Customer, Internal Business Processes, and Learning and Growth. This framework not only emphasizes achieving financial objectives but also focuses on the non-financial factors driving financial performance.

The following describes the functions of these four critical dimensions:

1. Financial Dimension: Evaluates performance in achieving profit growth, cost control, and resource use efficiency. It ensures that financial goals align with strategic planning, with common indicators including revenue growth rate, return on capital, and economic value added.

2. Customer Dimension: Focuses on customer satisfaction, loyalty, and market share, measuring competitiveness and brand appeal in the market. This dimension stresses supporting the achievement of financial goals by meeting customer needs, with common indicators like customer retention rate, market share, and the speed of new product launch.

3. Internal Business Processes Dimension: Analyzes organizations' internal operations and their adaptability to the external competitive environment, ensuring business process optimization and innovation capability enhancement. In this dimension, companies need to identify and improve key processes affecting customer satisfaction and financial performance, such as operational efficiency, on-time delivery rate, and supply chain management.

4. Learning and Growth Dimension: Focuses on talent development, IT systems, and organizational culture, ensuring that enterprises have the core capabilities for future development. By enhancing employee skills, optimizing IT systems, and improving processes, companies can boost overall competitiveness, with common indicators including employee satisfaction, investment in training, skill levels, and technological capabilities.

The Balanced Scorecard demonstrates the interconnections between dimensions through causal linkages. For example, achieving financial objectives often depends on improvements in customer behavior, which in turn relies on enhancements in internal operation efficiency and service quality. Furthermore, process optimization and innovation require support from employee skill development. Thus, the four dimensions form an interdependent closed loop where improvements in any dimension promote overall performance enhancement.

For instance, a company aiming to improve its return on capital might depend on increasing customer loyalty, which is closely related to improving on-time delivery rates. Consequently, the company must optimize internal processes and shorten production and operation cycles. To support this process improvement, it needs to intensify employee training and enhance skill levels. Ultimately, this logical chain links financial, customer, internal processes, and learning and growth dimensions, forming a complete performance improvement solution.

Role of Balanced Scorecard in Strategic Management:

1. Decomposition and Implementation of Strategic Objectives: Companies use the Balanced Scorecard to break down strategic objectives into specific tasks for each department and employee, ensuring that each link revolves around the overall strategic goal.

2. Performance Management: BSC provides a comprehensive performance evaluation framework, allowing companies to effectively monitor the progress of strategy execution and promptly identify and adjust problems.

3. Strategic Adjustment: Through regular performance evaluations, companies can flexibly adjust strategies based on market and external environment changes to maintain adaptiveness and competitiveness.[13]

The Balanced Scorecard plays a crucial role in strategic management by comprehensively considering financial, customer, internal process, and learning and growth dimensions. Companies can not only achieve financial objectives but also enhance the efficiency of achieving non-financial goals. This methodology offers a clear strategic execution framework and ensures that companies maintain long-term competitiveness and sustainable development in rapidly changing market environments.

1.2.4 Business Leadership Model (BLM Model)

The Business Leadership Model (BLM) is a strategic management tool jointly developed by IBM and Harvard University in 2003. It is based on IBM's extensive experience in operations management and customer service, summarizing theories and methods of strategy formulation and execution. This model centers on the close integration of strategic design and implementation, covering five key modules, including values, leadership, and market outcomes. It aims to assist enterprise management in systematic thinking, pragmatic analysis, and efficient resource allocation and execution tracking. As digital transformation advances, many global enterprises have adopted the BLM to enhance their market competitiveness. Chinese companies, such as Huawei, have merged Eastern and Western management models to explore business leadership paths with Chinese characteristics.

Originating from IBM, the BLM aims to help enterprises address strategic challenges in dynamic markets. It emphasizes the coordination of strategy and leadership, building competitive advantages by enhancing organizational alignment and integrating organizational design theory and dynamic capability theory. In the context of a transforming economy, Huawei has further optimized the IBM-BLM model to create HW-BLM, better meeting the needs of Chinese enterprises. This model highlights the concept of "Chinese soul, Western style," blending Chinese culture with Western management methods to ensure leading strategic flexibility and continuous improvement.[14]

In the Business Leadership Model, the enterprise strategic process is designed into five modules, encompassing twelve interdependent and interacting aspects. Its design method involves analyzing performance gaps and opportunity gaps in market outcomes, then deducing the business goals and strategic vision in reverse. The strategic design portion includes strategic intent, market insights, innovation focus, and business design, while strategic execution involves eight interrelated links: key tasks, organizational climate and culture, human resources, and formal organization. This model provides enterprises with a comprehensive strategic thinking framework, helping managers reach strategic consensus, enhance strategic understanding, and offer execution guidance for strategic implementation.[15]

Next, we will explore the specific content of these five modules:

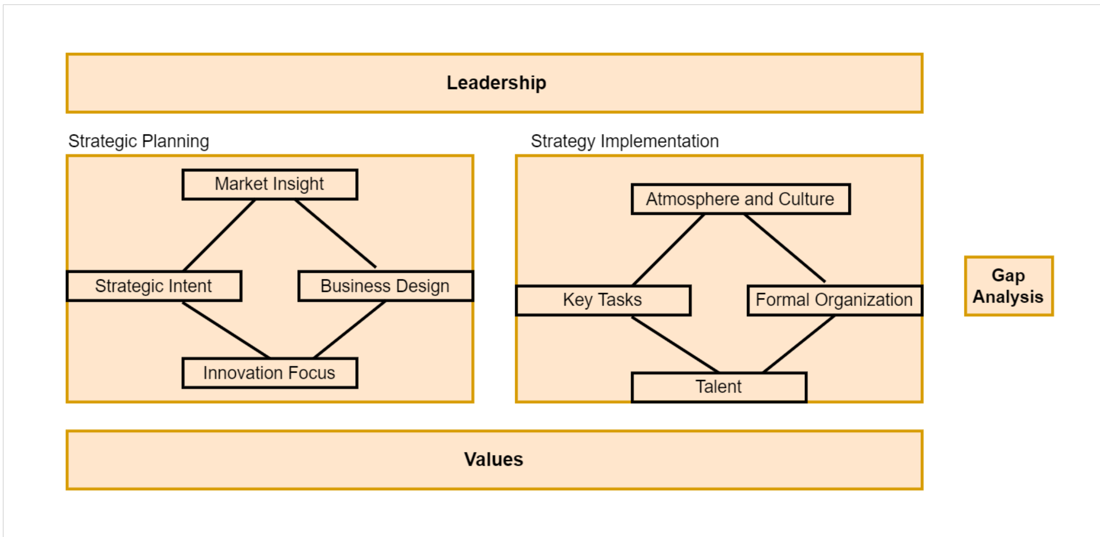

Fig.1. Leadership

1. Leadership: Enterprise leaders are responsible for strategy formulation, supported by the strategy department. Leaders need to quickly understand market and technological changes, react to their strategic implications, and build a flexible organizational structure to respond to changes. By clarifying roles and decision-making, they ensure team members understand and support the company's strategic goals.

2. Values: Values are the cornerstone of strategy execution and must be integrated into the company's core strategy. Managers should ensure values serve as daily behavior guides, steering employees to focus on long-term benefits and avoiding short-sighted actions, thereby promoting the company's long-term development.

3. Gap Analysis: Gap analysis compares actual business outcomes with expected or potential results, quantifying gaps to guide strategy adjustments. It

requires time-bound and quantified assessments of performance and opportunity gaps, such as revenue and market share.[16]

4. Strategic Planning: Based on clear strategic intent and market environment assessment, choose a business design aligned with corporate values. Strategic planning must integrate market insights and experience to fill performance and opportunity gaps and evaluate the impact of new business designs on organizational capabilities.

5. Strategic Execution: Transform enterprise capabilities into market outcomes that align with values, focusing on the coordination of tasks, organizational structure, talent, and culture to achieve business goals. Attention must be paid to weak links, improving key tasks and processes while maintaining strong partnerships within the value chain.[17]

The role of the Business Leadership Model in enterprise strategic management includes:

1. Systematization of Strategy Formulation

The BLM helps enterprises comprehensively consider various factors during strategy formulation through systematic processes, including changes in external markets, internal resource allocation, and organizational capability matching. This framework enables enterprises to more clearly analyze market trends, identify opportunities and challenges, and formulate highly adaptive strategies.

2. Effectiveness of Strategy Execution

BLM emphasizes not only strategy formulation but also execution effectiveness. Within the BLM framework, execution is a key element for achieving business leadership. By closely integrating strategy and execution, enterprises can more effectively translate strategic objectives into market outcomes. The model uses a dynamic feedback mechanism to help companies adjust strategy paths promptly when facing uncertainties.

3. Leadership Enhancement

Strategic leadership is a core component of the Business Leadership Model. BLM enhances the leadership capabilities of top managers, enabling them to better address changes, manage innovation, and drive business leadership. Leadership enhancement within the BLM framework is defined as "gray-scale" leadership, wherein leaders balance short-term and long-term, partial and overall contradictions in complex and uncertain environments, ensuring the enterprise's long-term development.

4. Support of Corporate Culture and Values

In strategic management, corporate culture and values are key drivers of strategic success. HW-BLM particularly emphasizes Huawei's core values, such as "customer-centered" and "dedicated employees," which not only strengthen internal cohesion but also help establish a positive brand image in the external market.

The Business Leadership Model provides enterprises with a systematic strategic management tool, combining market insights, business design, corporate culture, and leadership enhancement, helping maintain a competitive edge in a globalized and digitalized context. The BLM framework, through multi-level strategic execution and feedback mechanisms, provides strong support for an enterprise's long-term sustainable development.[18]

1.2.5 Comprehensive Budget Management

Comprehensive budget management refers to the organization's strategy-oriented approach to fully forecasting and planning its operational activities and financial results over a specific period, with the aim of scientifically and rationally allocating both financial and non-financial resources. Its purpose is to supervise, analyze the budget execution process, evaluate and provide feedback on the execution results, which in turn guides the improvement and adjustment of business activities to drive the achievement of strategic goals.[19]

When implementing budget management, enterprises typically adhere to the following basic principles:

1. Strategy-Oriented Principle: Budget management should closely align with the company's strategic planning and business objectives, ensuring that all budget responsible parties focus on execution to promote the completion of strategic tasks and achieve established performance.

2. Process Control Principle: By monitoring and analyzing the execution of budget targets in real time, budget management provides the basis for business decision-making and effectively evaluates and promotes the achievement of strategic objectives.

3. Integration Principle: Budget management should be business-centric and finance-coordinated, integrating across all levels and fields of management activities within the organization to ensure overall coordination and consistency.

4. Balanced Management Principle: Budget management needs to balance long-term and short-term goals, overall and local interests, revenue and expenditure, and results and driving factors to ensure sustainable development of the organization.

5. Contingency Principle: Budget management should combine rigidity and flexibility, maintaining constraint over business operations while also allowing for flexible budget adjustments according to changes in the external environment to accommodate special situations.

Here's how comprehensive budget management functions in enterprise strategic management:

1. Linking Strategy and Budget

Comprehensive budget management converts strategic goals into specific budget indicators, ensuring that resource allocation aligns with strategic objectives. This linkage allows enterprises to gradually implement strategic planning in daily operational activities, directing the efforts of all business units toward common strategic directions.

2. Performance Evaluation and Feedback

By monitoring budget execution, enterprises can assess the effectiveness of strategy implementation and make adjustments and optimizations based on actual conditions. This process enhances the organization's control over strategic execution and ensures the achievement of goals.

3. Resource Optimization and Allocation

Comprehensive budget management improves resource usage efficiency by scientifically configuring and reasonably allocating resources, reducing waste, and ensuring essential support for key areas, especially when resources are limited. For example, Changan Automobile combines comprehensive budget management with the balanced scorecard to achieve comprehensive integration of strategy, budget, and performance management, thereby enhancing overall management efficiency and market competitiveness.

To gain a deeper understanding of the concept of comprehensive budget management, the role of strategy within it is described as follows:

1. Clarify Budget Direction and Ensure Effective Resource Allocation

A company's strategic goals provide clear direction for comprehensive budget management, closely linking budget preparation with long-term development goals. For instance, under an innovation-driven strategy, the company may allocate more budget to the R&D department to promote technological advancement and product innovation.

2. Enhance the Dynamic Adjustment Capability of the Budget

Faced with changes in the external environment (such as market competition, technological advancement, policy adjustments, etc.), comprehensive budget management must possess dynamic adjustment capability. Strategy-oriented budget management can promptly identify execution deviations from the strategy and make flexible adjustments through feedback mechanisms. For example, the organization may adjust the budget based on market opportunities or threats, increasing investment in certain strategic focus areas.

3. Strengthen Supervision and Evaluation of Strategic Execution

Comprehensive budget management is not only a financial framework but also an essential tool for supervising strategic execution. Through monitoring budget execution, organizations can promptly detect deviations and take corrective measures to ensure that strategic goals remain on course.

4. Enhance Internal Communication and Coordination to Unify Strategic Goals

Effective strategy execution requires coordination and cooperation between departments. Comprehensive budget management integrates financial and non-financial indicators with strategic objectives, prompting departments to act around common goals and minimizing resource wastage and interdepartmental conflicts.

5. Support the Organization's Long-Term Sustainable Development

Comprehensive budget management, under a strategic framework, considers both short-term and long-term goals. While pursuing short-term financial results, it focuses on enhancing the organization's long-term competitiveness. For example, a company may sacrifice short-term profits to support R&D or market expansion, laying the groundwork for the future.

Strategy plays a crucial guiding role in comprehensive budget management, influencing every stage of budget preparation, execution, and feedback. Through effective resource allocation, dynamic adjustment, and strategic execution supervision, comprehensive budget management drives enterprises to achieve long-term sustainable development goals.[21]

1.3. Explanation of Each Stage of the Company's Strategic Management System

1.3.1 Basic Concepts of the Strategic Management System

Strategic management is the process by which an enterprise formulates, executes, and adjusts strategies to achieve its long-term goals. Its purpose is to adapt to the constantly changing market environment through effective resource allocation and decision-making, ensuring the company gains a sustainable advantage in the competition.[36]

The strategic management system is a comprehensive set of management activities that involves the analysis, formulation, implementation, and control of strategy. It requires enterprises to systematically identify and exploit opportunities while addressing potential risks and threats. Through strategic management, enterprises can better coordinate the interaction between internal resources and the external environment to achieve their long-term vision and mission.[22]

1.3.2 Stages of Strategic Management

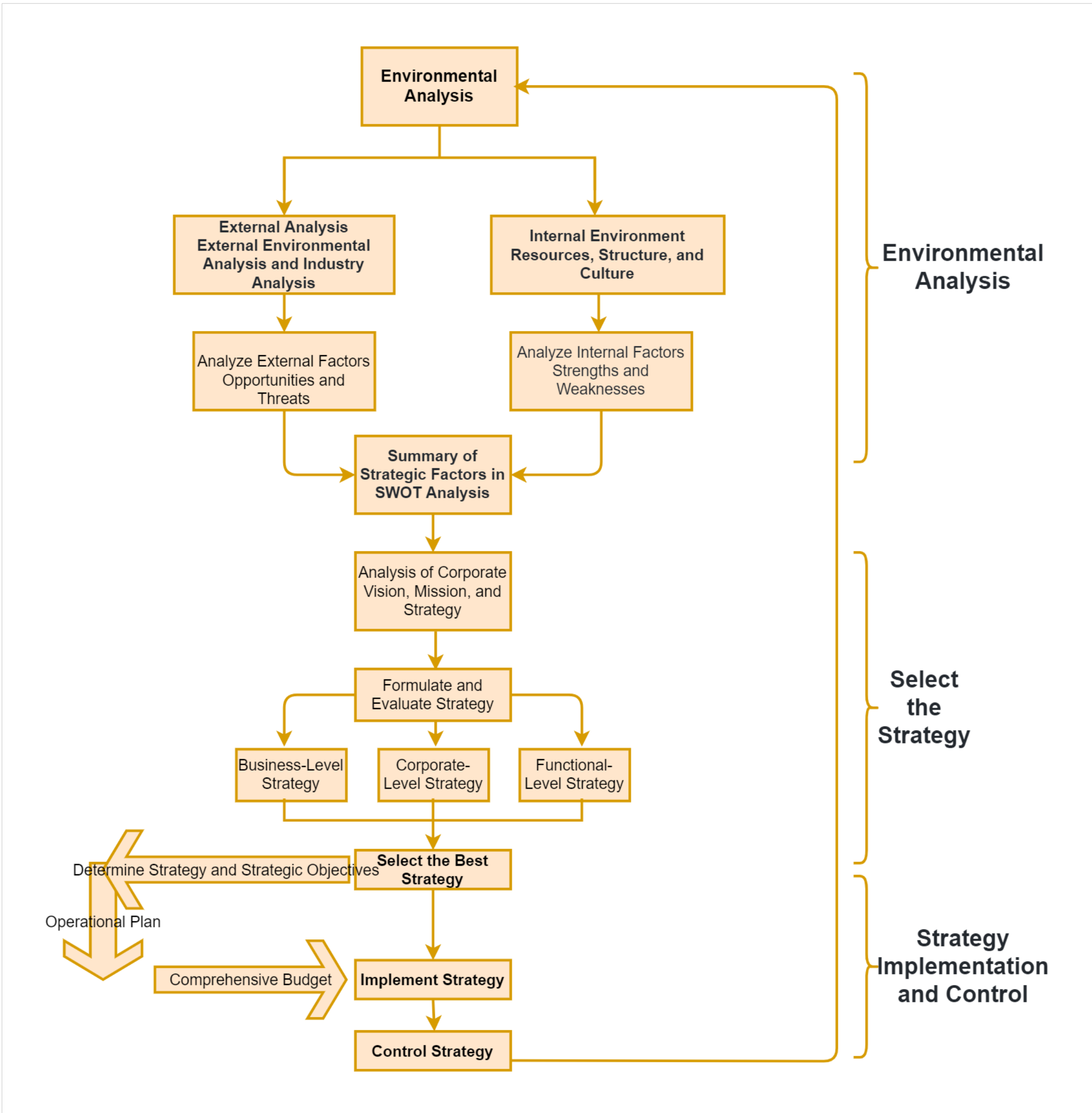

Fig.2. Stages of Strategic Management

First Stage: Environmental Analysis

The first step in strategic management is environmental analysis, which helps a company identify external and internal factors affecting its operations.

1. External Environment Analysis

External environment analysis helps companies understand macroeconomic conditions, industry trends, and market opportunities and threats. Commonly used tools include:

1)PEST Analysis: The analysis of political, economic, social, and technological factors is a common tool for identifying the macro environment of a business. It helps companies identify external opportunities and threats affecting the market.

2)Porter's Five Forces Model: Proposed by Michael Porter, this model helps companies understand their industry's competitive environment by analyzing the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, the threat of substitutes, and the intensity of industry rivalry. Industry analysis needs to focus on market competition structure and development trends, with Porter's Five Forces Model and market life cycle analysis being commonly used tools. Through analysis, businesses can identify market opportunities and threats.[37]

2. Internal Environment Analysis

Internal environment analysis mainly involves reviewing the company's resources, organizational structure, and culture. This is a key step in identifying a company's own strengths and weaknesses.

1)Value Chain Analysis, also referred to as resource analysis, can assess a company's human, financial, technological, and other resources.

2)Culture and Structure Analysis: Corporate culture and organizational structure are important internal factors affecting strategy execution. A company culture centered on innovation helps enhance the company's ability to respond to market changes.

3. SWOT Analysis

Through SWOT analysis, a company can summarize and organize external opportunities and threats, and internal strengths and weaknesses, to help select an appropriate strategic path.

Second Stage: Strategy Formulation

After completing the environmental analysis, a company needs to formulate strategies to determine the path to achieving its goals.

The foundation of strategy formulation is the company's vision and mission. The vision is the long-term goal pursued by the company, while the mission is the fundamental reason for the company's existence. Companies need to operationalize their vision and mission into actionable goals through strategic management. The core of strategy formulation is setting achievable goals based on the company's analysis results and evaluating the advantages and disadvantages of various strategic options.

When choosing the best strategy, companies should weigh the potential risks and returns of each strategy and ensure that the chosen strategy aligns with the company's resource capabilities. For example, large companies with abundant resources may opt for a diversification strategy, whereas startups might focus on a differentiation strategy centered around their core business.[38]

Third Stage: Strategy Implementation and Control

Strategy implementation is the process of translating chosen strategies into actual actions, while strategy control ensures the successful implementation of strategies.

1. Strategy Implementation

Implementation is a crucial step in the entire strategic management process. Tools such as the Balanced Scorecard (BSC) and project management tools can help companies coordinate personnel, resources, and technology during implementation.

2. Strategy Control

Through KPI analysis and feedback mechanisms, companies can monitor the effectiveness of strategy implementation in real time. For instance, a retail company could set KPIs like sales growth rate and customer satisfaction to evaluate the execution of its strategy. When deviations from goals are detected, corrective measures should be taken promptly.

Zhuge Liang's "Longzhong Plan" is a classic example of strategic analysis and formulation in ancient China. He devised a strategy based on the external environment (the dominance of Cao Wei and the potential alliance with Sun Wu). Zhuge Liang's strategy was to "divide forces to seize the empire when the situation changes," but Liu Bei's forces prematurely set out without waiting for this opportunity, resulting in the loss of Jingzhou due to execution errors, ultimately leading to Liu Bei's failure. Thus, the effectiveness of the strategy implementation and control stage is as important as strategic analysis.[19]

1.3.3 Global Trends and Impact

Current trends in globalization, technological advancement, and sustainable development continuously affect the strategic management of enterprises. Companies need to constantly adapt to these changes and maintain their competitive advantage through dynamic adjustments.

1) Global Competition: As markets become globalized, companies must consider cultural differences, regulatory changes, and technological advancements in international markets. For example, Amazon's globalization strategy involves customizing logistics and product strategies in different markets to achieve global market expansion.

2) Digital Transformation: Increasingly, companies are using digital tools and technologies to enhance their operational efficiency. Today, the Internet of Things (IoT) and big data analytics are transforming business models across various industries such as manufacturing and retail.

CHAPTER 2
STRATEGIC MANAGEMENT ANALYSIS OF YUNNAN WATSON BIOTECH

2.1. Techno-economic Characteristics of the Company

2.1.1 Overview of Watson Biotech

Since its founding in 2001, the company has positioned itself as a high-tech biopharmaceutical company specializing in the research, development, production, and sales of human vaccines. It has maintained a leading position in niche markets for biotechnological drugs, such as novel vaccines. To date, the company has successfully launched eight vaccine products (covering 12 specifications) and has received emergency use authorization from the government for its mRNA vaccine targeting the Omicron XBB.1.5 variant of the novel coronavirus.

Notably, Watson Biotech is the first company in China and the second globally to independently develop and successfully launch a 13-valent pneumococcal conjugate vaccine. This groundbreaking achievement has set a benchmark in the domestic vaccine R&D field, making it an enterprise with a significant advantage in the variety and number of vaccine products. According to the World Health Organization's (WHO) latest "2023 Global Vaccine Market Report," the company ranked among the top ten global vaccine manufacturers in 2022, with a market share of 2% in the global vaccine industry (excluding COVID-19 vaccines), tied for sixth place with China National Pharmaceutical Group and Serum Institute of India.

The company upholds its corporate mission of "Sowing Health, Creating a Better Future" and adheres to the principle of "Ensuring Everyone is Born Healthy." It actively responds to cutting-edge technological innovation and industry environmental changes by engaging in deep collaborations among production, academia, research, and application. The company continuously enhances its technological innovation capabilities, strives to improve its levels of intelligence, informatization, and sustainability, and vigorously cultivates new-quality productivity. It earnestly implements the new development strategy of "Upholding Integrity, Innovating Business," seizing opportunities, embracing change, and focusing on the future development trend of the vaccine industry from "children to adults, prevention to treatment, population to individuals." The company accelerates import substitution and international business expansion while continually developing innovative vaccine products with high value that meet customer needs and participate in international competition.

In terms of technological accumulation, the company has launched the 13-valent pneumococcal conjugate vaccine and the HPV vaccine, two blockbuster vaccine products. The company is the first in China and second globally to have the 13-valent pneumococcal conjugate vaccine on the market and is currently the only company worldwide to simultaneously have both the 13-valent pneumococcal conjugate vaccine and the HPV vaccine available. Currently, the company offers eight marketed vaccine products (12 specifications). Additionally, the company and its subsidiaries have several vaccine products in different stages of clinical research or preclinical research, including the 9-valent HPV vaccine, ACYW135 meningococcal polysaccharide conjugate vaccine, quadrivalent influenza virus split vaccine, recombinant novel coronavirus vaccine (CHO cells), recombinant novel coronavirus variant vaccine (CHO cells), DTaP-Hib quadrivalent vaccine, as well as the jointly developed COVID-19 mRNA vaccine, recombinant novel coronavirus vaccine (chimpanzee adenovirus vector), herpes zoster mRNA vaccine, respiratory syncytial virus mRNA vaccine, influenza virus mRNA vaccine, and COVID-19 variant mRNA vaccine. As the research and development and registration progress continue, the future launches of these products are expected to provide stable support for the company's performance. These vaccine products are widely used to prevent diseases caused by specific pathogenic microorganisms, providing the company with stable revenue, with 99.12% of income derived from the sales of its self-developed vaccines.[23]

2.1.2 Macro Environment Analysis of Watson Biotech

The macro environment of Watson Biotech can be analyzed using the PEST model as follows:

1. Political Environment

(1) Regulatory Policies: The vaccine industry is subject to strict regulatory oversight involving research and development, clinical trials, production quality, and distribution. Watson Biotech must comply with the policies of pharmaceutical regulatory bodies in various countries.

(2) International Trade Relations: The implementation of the RCEP agreement offers new opportunities for Watson Biotech to expand into international markets. However, geopolitical tensions could impact cross-border cooperation and product sales.

(3) Government Support: Governments provide policy support to the biotechnology industry, such as tax incentives and financial subsidies, which help in propelling Watson Biotech's growth.

2. Economic Environment

(1) Market Demand: Global vaccine market demand is increasing due to population growth and heightened health awareness. Regions such as Southeast Asia, the Middle East and North Africa, and South America are key target markets for Watson Biotech.

(2) Cost Pressure: Vaccine R&D and production require substantial financial investments, while market competition exerts price pressure. Watson Biotech needs to control costs while maintaining high-quality standards.

(3) Financing Environment: The current capital market is pessimistic about the company's growth prospects. Once a stock market giant with a valuation of 150 billion yuan, Watson Biotech's market cap has now dwindled to 23 billion yuan, a reduction of 85%.

3. Social Environment

(1) Public Awareness: Public perception of vaccine safety and efficacy influences market acceptance. With increasing vaccine knowledge and public health events, demand and trust have significantly risen.

(2) Health Consciousness: The global rise in health consciousness has increased demand for preventive health products like vaccines, particularly after the pandemic.

(3) Social Responsibility: As a vaccine manufacturer, Watson Biotech must ensure product safety and efficacy and actively participate in public health initiatives to enhance its brand value.

(4) Declining Birth Rate: A decrease in newborns affects the sales of certain vaccines, such as pneumococcal and Hib vaccines, leading to a decline in sales volume.

(5) Following the relaxation of COVID-19 restrictions within China, large-scale vaccination campaigns akin to those in 2022 are unlikely to reoccur. Additionally, there remains some public skepticism regarding potential side effects of COVID-19 vaccines.

4. Technological Environment

(1) Technological Innovation: Innovations in relevant technology fields require Watson Biotech to continually invest in R&D to maintain market competitiveness.

(2) International Collaboration and Intellectual Property: International technological cooperation and intellectual property protection are crucial for the company's long-term development.

(3) Digitalization and Automation: There is a need for digital transformation in production management, quality control, and marketing to achieve more efficient operations.

(4) R&D Delays: The delayed development of the 9-valent HPV vaccine poses challenges from domestic and international competitors, especially in international

markets. Accelerating R&D efforts is necessary.

2.1.3 Value Chain Analysis of Watson Biotech

Next, we analyze Watson Biotech's internal strengths and weaknesses using the value chain analysis method:

1. Strengths

(1) Technological and R&D Capabilities: Watson Biotech demonstrates outstanding technological and R&D strength. The successful progression of multi-country registration, such as the international registration of the 13-valent pneumococcal conjugate vaccine, has enhanced the company's global market presence.

(2) Industrialization and Digitalization: The progress of the Yuxi Watson expansion project demonstrates its preparedness and capability to meet increasing market demand.

(3) Market Expansion and Internationalization Strategy: Through registration and clinical trials in multiple countries, Watson Biotech continues to expand product coverage, boosting sales growth in overseas markets. Long-term procurement and cooperation agreements in several countries enhance its stability and reliability in international markets.

2. Weaknesses

(1) Management Stability Issues: Frequent changes and internal shifts in top management may lead to instability, affecting the consistency and efficiency of strategic execution. Attention was drawn to the nine top-level personnel changes in 2024.

(2) Market Competition Pressure: With intensifying competition in the domestic vaccine market, particularly in the HPV and pneumococcal vaccine segments, Watson Biotech faces dual pressure on pricing and market share. The company needs to effectively tackle challenges from other companies' new product innovations and international market presence.

(3) International Regulation and Market Access: During overseas market expansion, obstacles in registration approval and industrialization increase the complexity and time cost of entering new markets.

(4) Cash Flow Shortage: Extensive financial investment in COVID-19 vaccine R&D did not yield expected market returns, leading to tight cash flow for the company.

2.2. Evaluation of the Effectiveness of Current Management Strategies

1. Overview of Corporate Performance

In 2023, Watson Biotech's total revenue significantly decreased to 4.114 billion yuan, a year-on-year decline of 19.12%. Net profit dropped to 419 million yuan, a year-on-year decrease of 42.44%. The proportion of net profit to total revenue fell sharply from 34% in 2020 to 10%. To understand the specific reasons behind the decline in revenue and net profit, a detailed analysis from the perspectives of revenue and expenses will follow.

Table 1.

100 million yuan

Year	Total Revenue		Net Profit	
	Amount	YoY Growth	Amount	YoY Growth
2023	41.14	-19.12%	4.19	-42.44%
2022	50.86	46.89%	7.29	70.35%
2021	34.63	17.82%	4.28	-57.36%
2020	29.39	162.13%	10.03	606.60%
2019	11.21	27.55%	1.42	-86.43%

Data Source: Financial Reports of Watson Biotech

2. Revenue Analysis

The analysis of Watson Biotech's revenue reveals several key points: (1) Watson Biotech’s operating revenue is entirely derived from the biopharmaceutical industry, accounting for 100% of total revenue. This demonstrates the company’s focus on its core business area. However, the overall 19.12% year-on-year decline indicates the impact of market demand fluctuations or increased competition. (2) A total of 99.12% of revenue comes from self-developed vaccines, with annual revenue down 19.02% year-on-year. This highly concentrated product structure shows a dependence on self-developed vaccines. As the market matures and competitors increase, the risk of a single product line is exposed to declining revenue. (3) Although the overseas market only accounts for 6.99% of total revenue, it achieved a growth of 1.46% this year. This indicates the company's potential for expansion in international markets, which could be part of a future diversification strategy. The domestic market contributed 93.00% of the revenue, but decreased by 17.66% year-on-year. The performance in the domestic market suggests a declining trend in domestic sales. The specific data is as follows:

Table 2.

Category Condition	Analysis Details	Operating Revenue	Proportion of Total Revenue	YoY Change in Operating Revenue
By Industry	Biopharmaceuticals	41.13	100.00%	-19.12%
By Product	Self-developed Vaccines	40.78	99.12%	-19.02%
By Region	Overseas Region	2.88	6.99%	1.46%
	Domestic Region	38.26	93.00%	-17.66%

Data Source: Financial Reports of Watson Biotech

After analyzing Watson Biotech's business, several points warrant attention. Firstly, the primary reason for the decline in the company's total revenue is the decrease in self-developed vaccine revenues, with the impact of the 13-valent pneumococcal conjugate vaccine and the bivalent HPV vaccine being particularly significant. Since its commercial launch in 2020, the 13-valent pneumococcal conjugate vaccine generated revenue of 1.658 billion yuan, accounting for 56.42% of total revenue, which grew to 2.746 billion yuan in 2021. However, in 2023, its issuance volume declined by 4.42% for the first time, affected by competitors such as Pfizer and CanSino Biologics. Notably, by September 2021, CanSino Biologics launched its 13-valent pneumococcal polysaccharide conjugate vaccine, with issuance volume rapidly rising from 417,600 doses in 2021 to 4,967,800 doses in 2022, indicating it is gradually capturing domestic market share. Additionally, the declining number of newborns in China further intensifies market competition pressure.

Secondly, the bivalent HPV vaccine also faces challenges, primarily due to the expansion and increased import volume of Merck's 9-valent HPV vaccine, resulting in unmet sales expectations. Watson's bivalent HPV vaccine "Watsonwa" was launched in March 2022, but due to its late entry—two years after domestic competitor Wantai—it lacks first-mover market advantage and had to resort to a price competition strategy. Although it secured government procurement bids in May 2022 at a low price, by 2023, Wantai Biologics counteracted with an even lower price, increasing Watson's pricing pressure. This price war was even likened by media to "HPV vaccines dropping to the price of a cup of milk tea." These factors led to a decline in Watson's bivalent HPV vaccine unit price and market share.

Additionally, although the sales volumes of AC polysaccharide vaccines and DTP vaccines are relatively large, their low unit prices contribute very little to the overall increase in company revenue.

3. Expenses Analysis

Upon organizing sales, administrative, financial, and R&D expenses from 2022 to 2023, the following points emerge:

Table 3.

project	In 2023,		In 2022,		Year-on-year increase or decrease	Major changes
	amount of money	Accounting for% of revenue	amount of money	Accounting for% of revenue		
selling expenses	15.20	37%	20.22	40%	-24.85%	During the reporting period, the companys vaccine product sales revenue decreased compared with the same period of last year, resulting in the same decrease in sales expenses.
general expenses	2.98	7%	2.71	5%	9.65%	During the reporting period, the companys business development and the increase of the number of employees were caused by the combination of factors.
cost of financing	-0.71	-2%	-0.63	-1%	-12.72%	During the reporting period, the companys deposit interest income increased and the combination of loan interest paid.
research and development expenditure	7.76	19%	9.33	18%	-16.77%	During the reporting period, the companys R & D investment decreased.

Data Source: Financial Reports of Watson Biotech

(1) Sales Expenses: Sales expenses in 2023 were 1.52 billion yuan, a reduction of 24.85% compared to 2.02 billion yuan in 2022. This significant decrease was primarily due to the decline in sales revenue from vaccine products, leading to a corresponding decrease in sales expenses. This indicates reduced input in market promotion and sales activities, constrained by increased competitive pressure and changing market demand. Strategically, the company needs to adjust its sales strategy or optimize resource allocation to enhance sales efficiency, countering the challenges posed by declining sales revenue.

(2) Administrative Expenses: Administrative expenses in 2023 amounted to 298 million yuan, a 9.65% increase over 271 million yuan in 2022. This rise in administrative expenses is mainly attributed to increased salary expenses, with overall salaries rising by 20%. Executive compensation, in particular, increased significantly to 9.86 million yuan, a substantial 28% increase from the 18.70 million

yuan in 2019. Despite significant declines in overall profits and stock prices, management salaries have seen a sharp rise, leading to considerable controversy among small shareholders. The company must ensure that this spending translates into increased efficiency and performance, avoiding rapid administrative cost increases without corresponding business returns. As per company announcements, there was instability in management, with the announcement stating that, as of July 2024, President Jiang Runsheng and Vice President Zhang Jiankang had resigned. Two weeks later, the core operating team, including CFO Zhou Hua, BD Director Wang Zilong, Production Director Shi Jing, Engineering Technology Director Duan Qingtang, Quality Director Fang Guoliang, Investment Director Zhao Jinlong, Technical Director Yuan Lin, R&D Director Tong Xin, and Operations Director Wu Yunyan, collectively left their positions.[13]、[14]

(3) Financial Expenses: Financial expenses for 2023 recorded a negative 71 million yuan, compared to a negative 63 million yuan in 2022, reflecting a 12.72% increase in negative value. This is indicative of increased interest income from deposits, showing positive results in interest management and an improvement in financial costs through either increased deposits or optimized loan structures.

(4) R&D Expenses: In 2023, Watson's R&D expenses were 776 million yuan, marking a 16.77% decrease from 933 million yuan in the previous year. The company has established bacterial vaccine and recombinant protein vaccine technology platforms, and, through partnerships, has developed mRNA vaccine and recombinant adenoviral vaccine platforms. The 9-valent HPV vaccine and ACYW135 group meningococcal polysaccharide conjugate vaccine are advancing rapidly in the pipeline, with both at phase III clinical trials. Meanwhile, the acellular pertussis/diphtheria/tetanus/Haemophilus influenzae type b conjugate vaccine is at the phase I clinical stage. In addition to these products, Watson's other R&D focuses largely on COVID-19 vaccine development. According to financial statements and company announcements, by 2023, Watson was developing six COVID-19 vaccines.

However, starting in 2024, the company announced the termination of several COVID-19 vaccine projects. As per the mid-year report of 2024, only two COVID-19 vaccines remain under development. Despite Watson's mRNA COVID-19 vaccine receiving emergency use authorization in Indonesia in September 2022 and the Omicron XBB.1.5 variant mRNA vaccine slated for emergency use approval by December 2023, the company did not reap significant profits from its COVID-19 vaccines. Instead, Watson invested heavily in COVID-19 vaccine R&D. From 2020 to 2023, Watson's R&D investments were 316 million yuan, 754 million yuan, 1.053 billion yuan, and 911 million yuan respectively, totaling 3.033 billion yuan. In contrast, its total R&D investment until 2019 since listing was only 1.974 billion yuan. This significant investment has not brought anticipated returns, underscoring a strategic misstep by the company. This mismatch between investment and return clearly indicates the need for greater caution in future R&D strategy formulation.

4. Fair Value Change Gains and Losses

During the reporting period of 2023, Watson Biotech's fair value change gains and losses amounted to a negative 235 million yuan, accounting for -45.91% of total profit. This loss is mainly due to the decline in closing prices of stocks held by the company in listed firms such as Cayman Jimei and Suno Pharmaceuticals, and the fair value fluctuations of other equity assets held. Strategically, the company needs to reassess its risk management strategies and portfolio concerning equity investments to mitigate the impact of short-term market volatility on total profits.

Table 4.

	amount of money	As a proportion of the total profits	Form a cause description	Whether it is sustainable
Change in fair value, profit and loss	-2.35	-45.91%	The decline of the ending price of listed Cayman Jiahe and Shengnuo Pharmaceutical held by the company fell, resulting in the loss of fair value change during the reporting period and the comprehensive impact of fair value change of other equity assets held by the company.	Part has

Data Source: Financial Reports of Watson Biotech

5. Asset impairment loss

Watson biological asset impairment loss during the reporting period was-251 million yuan, accounting for-31.81% of the companys total profit. This asset impairment is mainly due to the companys impairment test of its assets in accordance with the changing competitive environment in the vaccine market and sales forecast. In particular, the provision for impairment of inventory and receivables of 2-price HPV and other vaccine products. As mentioned in the "Revenue" section, the market space for bivalent HPV vaccines has been heavily squeezed.

Table 5.

	amount of money	As a proportion of the total profits	Form a cause description	Whether it is sustainable
impairment of asset	-2.51	-31.81%	During the reporting period, the company conducted impairment tests on assets based on comprehensive factors such as changes in the vaccine market competition environment and sales forecast, and made provision for impairment of the inventory and receivables of double-valent human papillomavirus vaccine (Pichia yeast) and other vaccine products.	Part has

Data Source: Financial Reports of Watson Biotech

2.3. Analysis of the Advantages and Disadvantages of the Company's Strategic Management

From section 2.2, it is evident that Watson Biologics has faced numerous challenges in its strategic management in recent years, which are reflected in the significant fluctuations in its performance. In 2023, the company's total revenue decreased to 4.114 billion yuan, a year-on-year decline of 19.12%, while net profit fell to 419 million yuan, a year-on-year decrease of 42.44%. This indicates that Watson is encountering difficulties in stabilizing both revenue and profit, with core issues revolving around strategic reliance on products and markets, as well as the effectiveness of administrative expenses and R&D investments.

Below is an evaluation of the advantages and disadvantages of the company's strategic management:

2.3.1 Problems in the Strategy Formulation Process:

In the field of strategic management, a company's strategy formulation not only determines its current market performance but also profoundly impacts its long-term development and competitiveness within the industry. Watson Biologics has faced numerous challenges in the strategy formulation process, leading to poor financial performance and a weakened market position. The following are the issues Watson encountered in its strategy formulation, along with an analysis of its strategic management's strengths and weaknesses, which can help optimize the company's strategic management.

1. Problems and Advantages/Disadvantages in Strategy Formulation

(1) Misjudgment of Market Demand:

1) Decision Background: In 2020, amidst strong demand for domestic HPV vaccines, Watson sold its equity in Zerun Biotech, which was developing HPV vaccines, at a low price, intending to redirect funds towards mRNA vaccines. The rationale was to enter emerging market areas to gain a technological lead.

2) Problems Arisen: This decision ignored the fact that the HPV vaccine market was at its peak at the time, leading to the loss of first-mover advantage in the original field and the failure to capture the market share of bivalent and nine-valent HPV vaccines effectively. This misjudgment caused the company to miss out on capitalizing on the maturity and potential earnings of the HPV vaccine market, thus losing a valuable opportunity to expand its revenue sources.

(2) Unclear R&D Direction:

1) Investment Issue: The company opted for large-scale investment in COVID-19 vaccines. While the technical prospects in this field are broad, Watson failed to anticipate the rapid cooling of the COVID-19 vaccine market. The decision to

terminate several COVID-19 vaccine development projects in 2024 reflects strategic indecisiveness and adjustments made in haste due to insufficient market research.

2) Long-term Impact: Such uncertainty leads to unstable resource allocation and an inability to establish a sustained competitive advantage in the R&D pipeline, resulting in R&D costs not translating into expected market returns.

(3) Insufficient Market Trend Assessment:

1) Decision-making Errors: Failing to comprehensively assess the market trends for HPV and COVID-19 vaccines led the company to be passive in resource allocation and strategic planning. This lack of evaluative capability triggered financial volatility and market capitalization erosion, impacting investor confidence and stable market development.

Advantages:

1) Determination in R&D Investment: Despite strategic missteps, Watson has shown a strong commitment to R&D investments, laying a foundation for future technological exploration and innovation. Such determined investment can, to some extent, promote the company's technological development capabilities and product innovation.

2) Focus on Core Businesses: The company remains committed to strengthening its core business in biomedicine by increasing R&D investment and technological innovation, demonstrating its potential for long-term development in its core fields.

Disadvantages:

1) Lack of Forward-looking Analysis: Inadequate foresight into market demand and future trends resulted in sluggish strategic adjustments, limiting its capacity to respond efficiently to market opportunities and challenges, and severely impacting its competitive ability.

2) Inconsistent Decision-making: Strategic discontinuity and frequent directional changes have weakened the company's impression of stability, negatively

affecting resource allocation efficiency and posing challenges to market credibility.

3) Insufficient Product Portfolio Management: In the fast-changing vaccine market, Watson has not promptly expanded and optimized its product portfolio, leading to a diminished ability to respond to market risks and competition.

2.3.2 Issues and Strengths/Weaknesses in Strategic Execution and Control:

(1) Delay in R&D Progress

Watson Biologics did not manage to launch its COVID-19 and HPV vaccines during their respective market demand peaks, slowing the company’s pace in capturing market share. Due to fierce competition for related products in the market, Watson Biologics' market share was severely squeezed, leading to a decline in sales, directly affecting the company's financial performance. This delay could be related to inadequate internal R&D management systems, improper resource allocation, and a lack of effective project management tools. Further analysis may reveal inaccuracies in project cycle assessment and insufficient response to changes in market demand.

(2) Deviation in Strategic Execution

The company's goal of 5% profit growth in 2023 was not achieved. Amid declining revenues, administrative expenses were not controlled effectively and instead increased, with rising senior management salaries exacerbating concerns over resource allocation efficiency. This deviation highlights flaws in budget execution and monitoring processes, potentially due to a lack of timely and effective budget adjustment mechanisms and a not sufficiently flexible response to market changes.

(3) Lack of Confidence among Management and Share Sell-offs

Frequent share sell-offs by the management indicate a lack of confidence in the company’s future development. This behavior not only reduces shareholder and investor confidence but may also negatively affect the market performance of the company's stock. This situation could be related to insufficient internal information disclosure, a lack of clear long-term strategic vision, and poor communication between management and other stakeholders.

(4) Decline in Financial and Market Performance

The significant drop in total revenue and net profit, as well as a drastic reduction in the ratio of net profit to revenue, severely undermined the company's profitability. Exposures to risks in primary product lines, intensified market competition, underperforming independent vaccine sales, and inadequate cost management are the main causes of financial performance decline. Additionally, the shrinking domestic market reflects the company's insufficiently rapid response to market changes.

Advantages:

1) Cost Control Awareness: Despite the reduction in sales revenue, the sales expenses were flexibly adjusted, achieving a 24.85% reduction, indicating the company's sensitivity to cost control under certain conditions.

2) Potential for International Market Expansion: There was growth in overseas market revenue, albeit not significant, but it demonstrates potential for international market expansion, providing a foundation for future implementation of a diversification strategy.

Disadvantages:

1) Mismatched R&D Investment Returns: Large R&D investments have not translated into corresponding market returns, especially in new vaccine development, reflecting strategic blunders in project selection and resource utilization.

2) Internal Management Instability: Frequent changes in senior management have hindered strategic execution and efficient resource utilization, diminishing the continuity of overall management.

3) Inadequate Risk Management Capabilities: The failure to effectively mitigate losses caused by the devaluation of equity assets during market volatility reveals flaws in investment portfolio management and risk assessment.

2.3.2 Strategic Improvement Suggestions:

To enhance Watson Biologics' competitiveness and foster its sustainable development, the following are suggestions for improving the company's strategy:

1. Optimize R&D Management and Accelerate Product Launch: Establish a more scientific R&D management system, optimize project management processes, and strengthen in-depth market demand analysis to shorten product development cycles and time-to-market, thereby enhancing market competitiveness.

2. Strengthen Budget Execution and Control Mechanisms: Implement strict and dynamic budget monitoring systems to ensure the rationality of administrative expenses. If necessary, optimize the human cost structure and adjust executive compensation and incentive mechanisms in line with company performance to enhance responsibility and performance orientation among all employees. Strategic tools such as Balanced Scorecards and Business Lead Models can be used to help implement corporate strategy.

3. Enhance Management Stability and Information Transparency: By improving information sharing and strategic transparency, boost the management's confidence in the company’s future development. Regular strategic meetings should be held to ensure consistent understanding of the company vision among management and staff, reducing the adverse effects caused by management changes.

4. Promote Product Diversification and Internationalization Strategy: Expand the product line to reduce reliance on a single market and product, actively explore international markets, and enhance market resilience through a globalization strategy, bringing new growth opportunities for the company.

5. Improve Financial Management and Investment Portfolio Strategy: By conducting more detailed market analysis and financial planning, optimize capital allocation to reduce the negative impact of fair value changes on finances. Improve the risk management strategies of the investment portfolio to enhance the stability of financial performance.

Through these strategic adjustments, Watson Biologics can better seize market opportunities, increase market share, and achieve long-term business goals.

Additionally, by optimizing internal management and enhancing market responsiveness, the company can achieve healthier and more sustainable development in a competitive environment.

CHAPTER 3
APPROACHES TO IMPROVING THE STRATEGIC MANAGEMENT SYSTEM OF WATSON BIOLOGICS

3.1. Introduction to Innovative Methods in Strategic Management

Watson Biologics is facing significant issues in its strategic management process, particularly in the stages of strategy formulation and execution control amidst fierce market competition and uncertain external environments. These issues have directly led to a decline in the company's performance. Therefore, to achieve long-term sustainable development, Watson Biologics needs to introduce innovative methods into its strategic management system. This can be accomplished by integrating innovative approaches combining the Business Leading Model (BLM) and Balanced Scorecard (BSC) to enhance the efficiency of strategy implementation. The following outlines innovative improvement plans for Watson Biologics' strategic management system.

1. Innovation in the Strategy Formulation Stage

In the strategy formulation stage, Watson Biologics needs to adopt a more comprehensive and scientific approach to analyze both external and internal environments:

- External Analysis: It should enhance detailed research on the industry and market through market surveys and industry analysis to clarify market demands, industry trends, policy changes, and potential market opportunities and threats. Such external analysis assists the company in formulating product development and marketing strategies that align with market needs.

- Internal Analysis: Through value chain analysis, the company can thoroughly review its own business processes and perform horizontal comparisons with competitors in the market to identify core competencies and weaknesses. Finally, integrating this information using a SWOT analysis model to form a clear strategic path.

Upon understanding the strategic path, use gap analysis via the BLM model to conduct strategic design, including strategic intent, market insights, innovation focus, and business design. This method allows Watson Biologics to avoid blind decision-making and reduces issues of market demand misjudgment, unclear R&D direction, and unstable strategic direction.

2. Innovation in the Strategy Execution Stage:

Based on BLM strategic planning, Watson Biologics can apply the Balanced Scorecard to translate strategic goals into specific performance metrics, integrating it with the BSC's "4+1" dimensions (financial, customer, internal process, learning and growth, R&D). Through the Balanced Scorecard, the company can clearly identify the causal relationships between these dimensions and set target values for each metric. These metrics include both qualitative goals and quantitative standards, complemented by specific action plans, milestones, responsible departments, and resource allocation plans, eventually quantifying specific action plans into budget data to achieve strategy implementation. Moreover, these metrics should be linked to employee performance to ensure tight alignment between individual performance and strategic goals.

3. Regular Evaluation and Dynamic Adjustment:

Based on the metrics and performance data established through the Balanced Scorecard, Watson Biologics should conduct regular strategic meetings and performance evaluation meetings to discuss and analyze the achievement of strategic goals. This mechanism allows the company to make timely adjustments and improvements in response to issues arising in the implementation process, ensuring effective strategic implementation and continuous performance improvement. Additionally, market dynamics should be analyzed during strategic analysis meetings to understand market trends. This dynamic adjustment mechanism enables the company to quickly respond to market changes, enhancing strategic flexibility. [29]

3.2. Introduction to Innovative Approaches in Watson Biologics' Strategic Management

3.2.1 SWOT Analysis of Watson Biologics

Based on the aforementioned "2.1.2 Macro Environment Analysis of Watson Biologics" and "2.1.3 Value Chain Analysis of Watson Biologics," we have clarified the strengths, weaknesses, opportunities, and threats of Watson Biologics. We further utilize the SWOT strategy matrix to systematically optimize the company's strategic path. [30]

Below is the SWOT strategy matrix diagram of Watson Biologics:

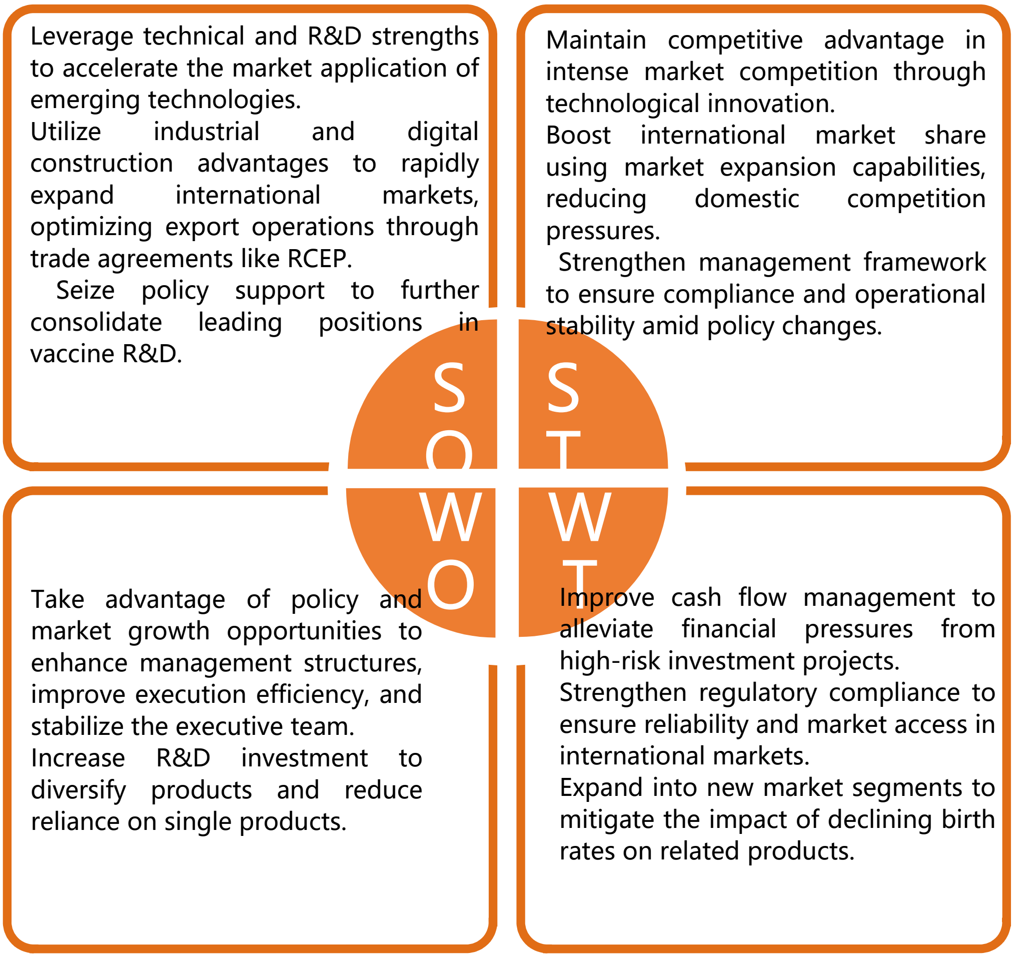

Fig.3. SWOT strategy matrix diagram of Watson Biologics

Based on the above SWOT strategy analysis, short-term, medium-term, and long-term strategies have been proposed:

1. Short-term Goals (1-2 years)

(1) Accelerate New Product Launches

Leverage technological and R&D advantages to expedite the launch of key vaccines, such as the nine-valent HPV vaccine, aiming to capture the domestic market and achieve breakthroughs in applying technology to emerging markets.

(2) Optimize Resource Allocation and Cost Management

Enhance financial prudence through meticulous management to control administrative expenses, improve fund utilization efficiency, and optimize executive compensation systems to maintain financial stability amidst revenue challenges.

(3) Improve the Efficiency of R&D Investment

Increase real-time analysis of market trends, adjust COVID-19 vaccine R&D strategies, and ensure resources concentrate on projects with the most market potential and technical feasibility to enhance R&D efficiency and return on investment.

(4) Enhance Market Responsiveness

Strengthen market analysis capabilities, add market research positions, and improve the ability to quickly respond to market demands and policy changes, ensuring an advantageous position in dynamic market competition.

2. Medium-term Goals (3-5 years)

(1) Expand International Market Share

Utilize advantages in industry and digital development to explore overseas markets such as the Asia-Pacific through trade agreements like RCEP, reduce reliance on a single domestic market, and increase global market share.

(2) Diversify Product Lines to Reduce Risk

On the basis of existing vaccine business, increase the R&D and production of other biopharmaceutical products to decrease reliance on a single product and enhance overall risk resilience.

(3) Enhance Management Stability and Execution Efficiency

Improve corporate governance structure to enhance management stability and decision-making efficiency. Ensure consistent understanding and execution of strategic goals across all levels by improving internal communication and information transparency.

(4) Strengthen Risk Management

Establish a comprehensive financial management system, enhance the evaluation and management of investment portfolios, reduce financial pressure from fair value fluctuations, and strengthen control over international market compliance risks.

3. Long-term Goals (5+ years)

(1) Become a Global Leader in Vaccine R&D

Utilize technological R&D and innovation capabilities to maintain leadership in the vaccine field, especially in new technology applications like mRNA vaccines, achieving global leadership in products and technology.

(2) Achieve Balanced Development Across Multiple Domains

Develop a diversified product portfolio covering vaccines, biopharmaceuticals, and other related health products to achieve coordinated development across different business lines.

(3) Establish a Sustainable Operational Model

Develop a sustainable development operational model centered on technological innovation and stable market growth to consolidate and expand competitive advantages in the fiercely competitive global market.

(4) Cultivate a World-class Corporate Culture

Promote global corporate governance and cultural systems to enhance employee collaboration and innovation capabilities in diverse markets, realizing global dissemination and influence of corporate culture.

3.2.2 Gap Analysis

1. Performance Gap:

The gap between the current state and the expected market position mainly manifests in product launch speed, market responsiveness, and management efficiency. These gaps are evidenced by delayed market launch despite having innovative vaccine R&D capabilities, inefficient resource allocation, and relatively slow reaction to market trends. [31]

2. Opportunity Gap:

The opportunity gap lies in not fully exploiting potential benefits from international market expansion and failing to diversify product lines to mitigate market risks. Although possessing technological advantages, there remains significant room for improvement in international market share and product diversity. [32]

3.2.3Strategic Design

1. Strategic Intent:

By enhancing product launch speed, expanding into international markets, and diversifying products, aim to become a leader in the global vaccine field while achieving balanced development across multiple domains.

2. Market Insight

(1) Customer Needs: Identify domestic and international market demands for emerging vaccines, such as the nine-valent HPV vaccine and mRNA technology applications, especially the vast potential in emerging markets.

(2) Competitive Analysis: Conduct in-depth analysis of competitors' strategies in technological innovation and market expansion, understanding the current competitive landscape, and leverage RCEP agreements to explore new markets.

(3) Technological Trends: Closely monitor technological developments in the biopharmaceutical field, particularly advances in mRNA technology and other biotechnologies.

3. Innovation Focus

(1) Product Innovation: Enhance R&D to increase product differentiation, gradually releasing vaccines with excellent price and performance.

(2) Process Innovation: Optimize production processes to improve efficiency and product quality, thereby reducing costs and enhancing supply capability.

(3) Business Model Innovation: Explore new business collaboration models, including partnerships with international pharmaceutical companies to enhance market expansion capabilities.

4. Business Design

Business design ensures smooth execution of strategic intent and market insights, primarily involving:

(1) Customer Selection: Target high-potential markets and adjust product strategies based on regional demands.

(2) Value Proposition: Offer high-quality and safe products through leading technology and a stable vaccine supply chain, emphasizing differentiation from competitors.

(3) Value Realization: Expand direct sales and distribution networks to ensure products quickly reach target markets.

(4) Activity Range: Ensure coordination across all business chains, from R&D to production to marketing, to achieve overall competitive advantage.

(5) Sustained Value: Maintain customer loyalty and market share through continuous product and service innovation.

(6) Risk Management: Establish a comprehensive risk management mechanism, especially in market risks and R&D directions, maintaining flexibility and stability in strategy.

5. Key Tasks

(1) Accelerate Product R&D and Launch: Simplify review and approval processes, promote cross-departmental collaboration, and accelerate the transition cycle from R&D to market.

(2) Expand International Markets: Form specialized international market teams, utilizing customized market entry strategies to explore emerging markets like Asia-Pacific.

(3) Diversify Product Development: Emphasize product line diversity and increase investment in non-vaccine biopharmaceutical fields to disperse risks.

(4) Optimize Management and Cost Control: Improve corporate governance structures and management processes to enhance resource allocation efficiency, especially the rationality of executive compensation and investment.

(5) Enhance Information Transparency: Regularly provide transparent reports on business operations and strategic progress, enhancing employees' and shareholders' recognition and trust in corporate vision.

3.2.4 Strategy Implementation

Based on the business characteristics and strategic needs of Watson Bio, the balanced scorecard (BSC) will be used to clearly decompose and execute its strategic objectives. By integrating the strategy planning from the Business Leading Model (BLM), we translate strategic goals into specific performance indicators and combine these indicators with the "4+1" dimensions of the BSC (financial, customer, internal process, learning and growth, and R&D). This approach ensures comprehensive support and coordination across all dimensions, ultimately driving effective strategy implementation.

1. Financial Dimension

(1) Strategic Goal: Enhance financial stability and achieve revenue and profit growth.

(2) Performance Indicators:

A. Achieve a revenue growth rate of 10% (including an 8% growth rate in foreign markets).

B. Increase net profit margin to 15%.

C. Control management expenses: aim to reduce management expenses by

10% within 1-2 years.

D. Improve capital utilization efficiency with a return on capital of 15%.

(3) Specific Action Plan: Strengthen sales efforts in high-potential markets and optimize product sales channels and financial structure. Implement a financial information system, execute comprehensive budget management, and enhance cost monitoring across departments.

(4) Milestones and Resource Allocation: Increase marketing budget by 6%, allocate a budget of 3 million RMB for the foreign market development department, and estimate 5 million RMB for budget system development and deployment costs.

Causal relationship with other dimension goals: Financial goals depend on the increase in market share and acceleration in the commercialization of new products, which requires enhanced customer satisfaction and improved R&D efficiency.

2. Customer Dimension

(1) Strategic Goal: Increase market share and enhance market responsiveness.

(2) Performance Indicators: Increase the market share of currently marketed vaccines by 10% and strengthen market research and industry study.

(3) Specific Action Plan:

A. Deploy a customer relationship management system.

B. Add market research positions and establish a market intelligence collection and feedback mechanism.

(4) Milestones and Resource Allocation:

A. Complete market position setup by Q1, with an initial market share increase by Q3.

B. Increase budget for research and customer relationship management by 5%. The cost of market research and new positions is approximately 2 million RMB.

Causal relationship with other dimension goals: Improving customer satisfaction requires precise market marketing strategies and enhanced customer experiences, which in turn demand optimization of internal processes.

3. R&D Dimension

(1) Strategic Goal: Accelerate product innovation and R&D commercialization pace, enhance R&D innovation capabilities, and focus on potential projects.

(2) Performance Indicators:

A. Accelerate the launch of the nine-valent HPV vaccine by 20%.

B. R&D project prioritization: Ensure 70% of R&D investment is concentrated on the top three projects with the highest market value.

(3) Specific Action Plan:

A. Form a group focused on technological breakthroughs, conduct annual evaluations and support innovation projects.

B. Strengthen technological collaboration and external innovation investments.

(4) Milestones and Resource Allocation:

A. Conduct quarterly new product development reviews and annual R&D progress and ROI analysis by the R&D department.

B. Increase R&D funding by 10% to accelerate R&D progress for market capture.

Causal relationship with other dimension goals: Enhancing R&D efficiency relies on optimized project management processes and prioritized support for high-potential product development. Successful innovation and technology application support product diversity, thereby contributing to improved financial performance and expanded market share.

4. Internal Process Dimension

(1) Strategic Goal: Optimize R&D and internal management processes, enhance organizational responsiveness, and improve risk control capability. Regularly provide transparent reports on corporate operations and strategic progress.

(2) Performance Indicators: Optimize R&D processes; enhance risk control capability; publish reports on corporate operations and strategic progress every six months.

(3) Specific Action Plan:

A. Improve internal R&D evaluation mechanisms and introduce project management tools.

B. Optimize equity investment risk management strategies and portfolios.

C. Establish a risk control department, increasing salary budget by 1%.

D. Publish reports every six months.

(4) Milestones and Resource Allocation:

A. Monthly project progress meetings and quarterly process evaluations led by the project management department, with corporate operations and strategic execution reports provided by the finance department.

B. Establish a risk control department, increasing salary budget by 1%.

C. Increase total R&D layout adjustment fees by 500,000 RMB.

Causal relationship with other dimension goals: Improving internal processes requires enhanced project management capabilities, which necessitates supporting employee skill development. Optimized R&D processes can directly reduce time waste, increase cost-efficiency, and ensure rapid market entry for new products.

5. Learning and Growth Dimension

(1) Strategic Goal: Enhance employees' market analysis capabilities, professional development, and organizational innovation culture.

(2) Performance Indicators:

A. 100% of staff in market and technical positions receive specialized training each quarter.

B. 'Career Development' score reaches 85% or higher in employee satisfaction surveys.

C. Increase organizational innovation participation by 50%.

(3) Specific Action Plan:

A. Launch personalized career development planning.

B. Encourage employee participation in cross-departmental innovation projects.

(4) Milestones and Resource Allocation:

A. Annual training plan and semi-annual innovation activities led by the HR department.

B. Annual training budget is 1,000 RMB per person.

Causal relationship with other dimension goals: By enhancing employee skills, the company strengthens its ability to generate internal solutions, supporting the optimization of internal processes and R&D innovation.

Through the balanced scorecard, Watson Bio can break down strategic goals into practical operational plans, with interdependent relationships across each dimension ensuring the company not only achieves financial growth but also enhances the efficiency of achieving non-financial objectives. The implementation of this system helps improve the company's competitiveness and flexibility in rapidly changing markets. By introducing comprehensive budgeting management tools, the company's strategy can be effectively implemented, while aligning BSC indicators with individual performance appraisals ensures consistency between personal goals and organizational strategic objectives, thus enhancing strategy execution.

This strategic management plan allows Watson Bio to effectively achieve its strategic goals and ensures harmonious consistency among the causal relationships across dimensions, forming a systematic strategic management framework.

3.3. Innovative Paths and Practice Summary of Strategic Management at Watson Bio

In this paper, we analyze and discuss Watson Bio's innovative methods in strategic management and their outcomes. The study reveals that despite facing numerous challenges in a rapidly changing market, Watson Bio has significantly optimized its strategic planning and execution efficiency by introducing advanced strategic tools such as the Business Leading Model (BLM) and the Balanced Scorecard (BSC). The proposed innovative solutions focus on the two key stages of strategy formulation and execution, aiming to help the company enhance its market competitiveness and sustainable development capabilities through systematic analysis and tool application.

In the strategy formulation stage, Watson Bio can more accurately identify market needs and potential opportunities through comprehensive analysis of the industry environment and internal resources. This process incorporates SWOT analysis and the gap analysis of the BLM model to ensure the comprehensiveness and scientific nature of strategy formulation. We recommend that companies, based on value chain analysis, conduct systematic evaluations of the internal and external environment to formulate innovative products and strategies that meet market demands, thus avoiding past issues of blind judgment in market trends and R&D direction selections. Innovation at this stage not only helps the company effectively avoid the risks of strategic misjudgment but also enhances its insight into market trends.[33]

In the strategy execution stage, the implementation of the BSC has provided Watson Bio with a practical tool to translate abstract strategic goals into specific performance indicators. By integrating the BSC's "4+1" dimension management framework, the company can ensure consistent support and implementation of strategic objectives through comprehensive management across financial performance, customer satisfaction, internal process efficiency, learning and growth, and R&D innovation capability. Within this framework, by monitoring and evaluating performance indicators across all dimensions, the company can promptly adjust its strategy execution plan, ensuring that strategy is achieved through clear objectives and effective action plans. Furthermore, by linking these indicators to employee performance evaluations, the actions of employees at all levels are closely aligned with the overall strategic objectives, enhancing the organization's overall execution capability and motivation.[34]

Periodic evaluation and dynamic adjustment mechanisms are key components in strategic management. Through regular strategic meetings and performance evaluation sessions, Watson Bio can promptly identify and correct various deviations in the strategy implementation process. This flexibility allows Watson Bio to swiftly respond to market changes, maintaining the company's competitiveness and agility in a rapidly changing environment. Simultaneously, this mechanism also fosters a culture of continuous learning and innovation within the organization, enabling every employee to find their value positioning within the organization and drive innovation. [35]

From this study, we conclude and recommend that Watson Bio should continue to strengthen and deepen its detailed analysis of market dynamics, using the detailed insights and scientific tools gained to continuously advance innovation in strategic management and execution optimization. Only by doing so can the company ensure steady growth in financial performance and market share during strategy implementation. At the same time, by building a systematic and actionable strategic management framework, Watson Bio can solidify its position as a global leader in the vaccine research and development industry and continuously promote collaborative development among its various business units to support its expansion and sustained success in the global market.

CONCLUSIONS

This study on Watson Biotech's strategic management practices offers critical insights into the challenges and opportunities associated with sustaining competitive advantage in the biopharmaceutical industry. The analysis conducted throughout this thesis identifies several key areas for improvement and proposes innovative solutions to address these gaps.

Strategic formulation is a critical starting point for achieving long-term corporate goals. Watson Biotech must adopt a holistic approach to environmental analysis by integrating tools such as SWOT and PEST analyses with industry-specific insights. The findings suggest that a better understanding of external factors—such as regulatory changes, market dynamics, and technological advancements—can significantly enhance decision-making. Internally, the company must focus on aligning its resources with market demands, particularly in developing high-value products like next-generation vaccines.

Execution is where strategic plans translate into tangible outcomes. This study emphasizes the value of using the Balanced Scorecard to ensure alignment across all organizational levels. By defining performance indicators for financial growth, customer satisfaction, internal process optimization, and R&D productivity, Watson Biotech can enhance its execution capabilities. Linking these indicators to employee performance will further ensure that strategic objectives cascade effectively across the organization.

In a fast-paced industry, agility is essential. Watson Biotech must implement mechanisms for real-time monitoring and dynamic adjustment of strategies. The integration of periodic strategic reviews and performance evaluations enables the company to respond swiftly to changing market conditions, mitigating risks and capitalizing on emerging opportunities. This adaptability is particularly important in light of the volatile nature of the vaccine market, where rapid shifts in demand can make or break competitive positioning.

The study identifies inefficiencies in resource allocation and inconsistencies in managerial practices as significant barriers to Watson Biotech's success. Strategic recommendations include streamlining administrative expenses, ensuring equitable executive compensation, and fostering stability within the leadership team. Transparent communication between management and stakeholders is also critical for building trust and aligning organizational efforts.

Innovation is the cornerstone of Watson Biotech’s competitive advantage. The company must prioritize R&D investments in high-potential areas, such as mRNA technologies and next-generation HPV vaccines, while diversifying its product portfolio to reduce dependency on a few key products. Sustainability must also become a strategic priority, with initiatives aimed at reducing environmental impact, enhancing supply chain efficiency, and addressing global health challenges.

Expanding into international markets presents a significant growth opportunity for Watson Biotech. By leveraging trade agreements such as RCEP and tailoring strategies to regional needs, the company can increase its global market share. Diversification into non-vaccine biopharmaceutical products further mitigates the risks associated with market concentration and enhances long-term resilience.

To sustain its strategic initiatives, Watson Biotech must embed a culture of continuous learning and innovation across the organization. Regular employee training, cross-departmental collaboration, and a focus on professional development will enable the company to maintain a competitive edge. Furthermore, fostering a culture of transparency and shared responsibility ensures that every employee contributes to the company’s strategic vision.

The findings of this study demonstrate that effective strategic management is both a science and an art, requiring a balanced approach to planning, execution, and evaluation. For Watson Biotech, embracing the recommendations outlined in this research will not only address current challenges but also position the company for long-term success. By adopting an adaptive, innovation-driven, and sustainability-focused strategic framework, Watson Biotech can reclaim its leadership position in the biopharmaceutical industry and continue to make meaningful contributions to global health.

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