**STRATEGIC PLANNING AND FINANCE: A CASE STUDY OF ASTRAZENECA**

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# Introduction

Strategic finance planning is the method of ascertaining how a company supervises itself financially to confirm it accomplishes its objectives and goals for the long-term and short-term both. The report is going to discover the strategic and financial analysis of the AstraZeneca company for the next three years by implementing strategic and analytical tools. The report will include a financial audit of the company with the financial strategies to assure the accomplishment of the company’s goals. It will also include the implementation and measurable controls of the strategy with responsible and ethical considerations. Again, a three years profit and loss statement of AstraZeneca company will be forecasted in the report to have a proper strategic plan for the future.

# Background of study

In the past few years, Artificial Intelligence assists in enhancing newer capabilities in various sectors including healthcare, education and finance. In the case of healthcare, the mining of data is done for the identification of patterns which may be fruitful in healthcare treatment. AstraZeneca possesses the capabilities for AI for acceleration in the development of life-saving medicines for the required patients. Moreover, the company played a key role during the pandemic in the production of Covid-19 vaccines and delivering them to the public (Astrazeneca.com, 2023).

Apart from this, the methods of Artificial Intelligence assist in monitoring the quality of a pharmaceutical product which also includes packaging. Moreover, pharmaceutical brands are using the power of modern technology in enhancing their business. The organizations study the strengths and weaknesses of their competitors by monitoring the price fixed on the medicines or medical equipment by their rivals, any new product launched or trends followed by them.

# Rationale

The reason for conducting this study is to undertake a strategic analysis of AstraZeneca’s current performance and develop a strategic plan for the next three years on business development using AI. Pharmaceutical organisations around the world are using advanced machine learning algorithms in the drug manufacturing process and help in solving the challenges related to complex biological networks (Henstock, 2019). The usage of AI in the production of new medicines may assist in growing a positive brand image regarding a pharmaceutical company. Moreover, this assignment will also evaluate how AI can be used in studying past campaigns in marketing medical products and how efficient medicines can be designed aligning to customers’ interests in the future.

# Analysis

## Financial Audit

The financial audit can be defined as the review process of any company's financial record. This process is beneficial for every company as it ensures that the company's financial records are accurate and complete. Moreover, this process also ensures that the financial data is also in compliance with accounting legislation and standards. This financial review process is typically done by examining the company's balance sheet and income statement. This review process is also a driving factor for determining financial fraud by reviewing a company's internal control.

For this paper, the healthcare company AstraZeneca is taken and its financial audit will be analysed. In the aspect of globalisation, the healthcare giant of the United Kingdom, AstraZeneca has experienced a boost in its growth in terms of sustainability. It can be found that the company holds a significant cash balance to maintain the funding of its operations. Till December 2022, the cash balance was 6.4 billion US dollars. It can also be found that the company has access to term loans. These loans are provided by Group’s bank. Till December 2022, a total of 4 billion US dollars were outstanding for the company (astrazeneca.com, 2019). This hefty amount of money was spent on the funding process in terms of the acquisition of Alexion pharmaceutical inc. In addition to it, this healthcare company has a total of 4.9 billion US dollars of revolving committed credits provided by 13 relationship banks. It can also be found that the total net cash flow of the company till 2022 was a total of 9.8 billion US dollars (astrazeneca.com, 2019). The net cash flow of this healthcare organisation increased 1.5 times from the last financial year of 2021. In 2021, the net cash flow of the company was 5.8 billion US dollars.

## Financial Strategy

A financial strategy refers to the combination of strategic planning and financial planning. It provides a blueprint that evaluates the budget and costs and current resources and lines up them with the goals and mission of the organisation. It prepares a roadmap to line up with the goal of the company to expand in spite of the sudden change in the business environment (Acharya and Richardson, 2019). A financial strategy helps the company to decrease the cost of change, decide priorities and control trade-related decisions to productively finance difficult activities. Being in the healthcare industry AstraZeneca follows some major financial strategies to accomplish its goal and fulfil its mission. The strategies that AstraZeneca follows to grow its business internationally include capital structure planning, working capital planning, Investment planning and dividend strategy.

Capital structure planning refers to the combination of retained earnings, debt capital, equity capital and preference capital. Capital structure planning is discovered to manage the disadvantages and advantages of a business or risk factors of the debt, equity and preference capital. Working capital planning assists the management to control the requirement, allocation and procurement of the company in order to control the overall working capital. It also helps the company to manage the presence of working capital in the company (Bryson *et al*., 2018). Investment Planning or capital budgeting is the method of planning how to make an investment. It helps the management of the company to accomplish, enhance and modernize the business. It also helps to define disinvestment activities such as selling or buying long-term assets. On the other hand, a dividend strategy is utilised to ascertain the margin of profits that is to be allocated among the stakeholders after taking a part of the profit as the surplus of the company. The strategy is used to increase the returns of the stakeholders by having the required capital for the future investment plan.

## Implementation and Control Measures

Implementation of the financial strategy is the method that converts plans and strategies into actions to gain a vision of the future that is connected with non-financial and financial goals such as customer satisfaction. Successful strategy implementation is a significant process towards the victory of the strategic management process of the company. To implement the strategy within the company it is important to identify the implemented strategy of the company. The company should have members with clear responsibilities and duties to implement a proper strategy in an organisation. Again, any deep pockets and funding should be evaluated to make the strategic plan successful.

On the other hand, controlling the measurements for the strategic plans consists of an evaluation of the external and internal issues of the organisation. It also measures the performance of the company by using different strategic and analytical tools such as swot and pestle analysis. Controlling the implementation of a strategic plan includes several activities that are connected to the management of the organisation. The strategic management process has its implementation and control management by analysing the tools properly with the management process. The process of implementation and control comes with the process of defining the proper financial strategy. The financial strategy of the organisation should be chosen properly to maintain the implementation process and to control the measurements towards the financial strategy. The financial strategy of AstraZeneca helps the company to implement the process properly with correct measurement control. The organisation grows in the industry of the United Kingdom by following the correct implementation strategy.

## Responsible and ethical consideration

The responsibility and ethical consideration of the financial strategy include four different ethical principles which are the main aspects of the responsibility for considering the process(George *et al*., 2019). The four ethical principles include competence, code, respect, integrity and responsibility. The principle code refers to the code of conduct of the management of the company which includes the managerial aspects. Respect refers to loyalty to the financial strategy followed by the organisation. Responsibility refers to the responsibility of the implementation of the financial strategy. Integrity refers to the dedication towards the process of the financial strategy. In this context of providing support to the responsibility for ethical consideration to the management of an organisation. Ethical consideration includes considering the proper data of an organisation that does involve any kind of manipulation. Responsibility towards the strategic management process of an organisation includes a process that considers the allocation of the proper financial strategy along with the implementation process. While collecting the data for the financial strategy report of a company the management should follow the five principles of ethical consideration to have a proper strategic approach to the financial strategic plan. The AstraZeneca company follows a proper ethical consideration to the proper strategic management by providing responsibility towards the management.

## Three-year profit and loss forecast

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Company name: AstraZeneca** | | |  |  |  |  |  |  |  |
| **3-Year cash flow** | | |  |  |  | For the year ending: 2022 | | |  |
|  |  |  |  |  |  | Cash at beginning of the year: $ 38,000,000,000 | | |  |
|  |  |  |  |  |  | Cash at the end of the year: $44,000,000,000 | | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Operation** |  |  |  |  |  | **2023** | **2024** | **2025** |  |
| Cash receipts from | |  |  |  |  |  |  |  |  |
| Customers |  |  |  |  |  | $3,000,000,000 | $3,000,000,000 | $4,000,000,000 |  |
| Other operations |  |  |  |  |  |  | $1,000,000,000 | $2,000,000,000 |  |
| Cash paid for | |  |  |  |  |  |  |  |  |
| Inventory purchase |  |  |  |  |  | $5,000,000,000 | $6,000,000,000 | $7,000,000,000 |  |
| General Operation |  |  |  |  |  | $1,000,000,000 | $2,000,000,000 | $4,000,000,000 |  |
| **Net cash flow from operation** | |  |  |  |  | **$9,000,000,000** | **$12,000,000,000** | **$17,000,000,000** |  |
| **Investing Activities** |  |  |  |  |  | **2023** | **2024** | **2025** |  |
| Cash receipts from | |  |  |  |  |  |  |  |  |
| Sale of equipment |  |  |  |  |  | $5,000,000,000 | $5,000,000,000 | $6,000,000,000 |  |
| collection loans |  |  |  |  |  | $2,000,000,000 | $3,000,000,000 | $4,000,000,000 |  |
| Cash paid for | |  |  |  |  |  |  |  |  |
| Purchase of equipment and web design |  |  |  |  |  | $4,000,000,000 | $2,000,000,000 | $4,000,000,000 |  |
| Making Loans |  |  |  |  |  | $7,000,000,000 | $8,000,000,000 | $9,000,000,000 |  |
| **Net cash flow from operation** | |  |  |  |  | **$21,000,000,000** | **$18,000,000,000** | **$23,000,000,000** |  |
| **Financing activities** |  |  |  |  |  | **2023** | **2024** | **2025** |  |
| Cash receipts from | |  |  |  |  |  |  |  |  |
| Insurance of stock |  |  |  |  |  | $5,000,000,000 | $3,000,000,000 | $6,000,000,000 |  |
| Borrowing |  |  |  |  |  | $5,000,000,000 | $2,000,000,000 | $4,000,000,000 |  |
| Cash paid for | |  |  |  |  |  |  |  |  |
| Repayment of loan |  |  |  |  |  | $1,000,000,000 | $2,000,000,000 | $3,000,000,000 |  |
| Repurchase of stock |  |  |  |  |  | $3,000,000,000 | $3,000,000,000 | $4,000,000,000 |  |
| **Net cash flow from operation** |  |  |  |  |  | **$14,000,000,000** | **$10,000,000,000** | **$17,000,000,000** |  |
| **Net cash flow** |  |  |  |  |  | **$44,000,000,000** | **$40,000,000,000** | **$57,000,000,000** |  |

# Conclusion

The current assignment discussed how the pharmaceutical organization AstraZeneca can expand its business for the next three years using AI. The background of the study is written and the rationale for conducting it is discussed. Moreover, the financial audit of AstraZeneca was evaluated by considering its annual report for the past three years and a financial strategy was designed. Apart from this, the implementation and control measures required in the implementation of the strategy were discussed. Moreover, the ethical considerations that have been considered while designing the three-year strategy were written. Lastly, there was an estimation of the profit and loss which will be obtained in the next three years while implementing the plan.

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