

# Implementation of porter diamond theory in beximco

[Science](#)



Report On “ Implementation of Porter Diamond theory in Beximco

Pharmaceuticals Ltd” Course Title: International Business Course Code: BUS-

302 Semester: Fall’12 PREPARED FOR: Gouranga Chandra Debnath Senior

LECTURER, Department of Business Administration FACULTY OF BUSINESS &

ECONOMICS (DIU) PREPARED BY: Esteak Ahmed ID: 091-11-809 Contents

Chapter 12 Introduction2 Background of the Report: 2 1. 5 Overview of the

Porter Diamond Theory: 4 Chapter 26 2. 2 Firm Structure, Strategy, and

Rivalry6 2. 3 Demand condition8 2. 4 Factors of Endowments: (both basic

and advance)10 2. Related and supporting industry: 12 2. 7 Overall analysis

of the company position based on porter’s diamond: 13 Log Frame: 14

Chapter 316 Conclusion: 16 3. 2 Recommendations16 3. 3 References: 16

Chapter 1 In an attempt to master and perfect the trade system many

research has been conducted and many theories has been proposed.

International Trade Theory provides explanations for the pattern of

international trade and the distribution of the gains from trade. In an attempt

to master and perfect the trade system many research has been conducted

and many theories has been proposed.

International Trade Theory provides explanations for the pattern of

international trade and the distribution of the gains from trade. Introduction

Background of the Report: For thousands of years humans are involved in

trade and always tried to perfect this system. In an attempt to master and

perfect the trade system many research has been conducted and many

theories has been proposed. International trade theory provides explanations

for the pattern of international trade and the distribution of the gains from

trade.

The theory convinces most economists of the benefits of liberal trade. But many non-economists oppose liberal trade. Opponents include some who may have encountered trade theory but nevertheless fall prey to fallacious reasoning. Porter diamond theory is an attempt of Professor Porter to explain the apparent relationship of international trade and other components of a country. Apparently pharmaceutical sector is technologically the most developed manufacturing industries in Bangladesh and the third largest industry in terms of contribution to government's revenue.

Porter Diamond theory can be implemented to a company of this sector to understand the prospects, potentials, and problems of this sector. 1. 1 Purpose Of The Report: The purpose of the report is to implement the porter diamond theory in the Beximco Pharmaceuticals Ltd Company of Bangladesh and to understand the problems, prospects and potential of this company. 1. 3 Methodology: Secondary data are used to analyze the implementation of the Porter Diamond Theory. 1. 4 Objective of the study The objectives of this study are- \* To find out whether all the element of Porter's diamond are available in the company. To find out our company's current condition in the market and also the opportunities and prospects. \* Porter Diamond Theory is the result of an intensive research conducted by Michael Porter and his team on 100 industries of 10 nations. For Porter the essential task was to explain why a nation achieves international success in a particular industry. Pharmaceutical industry contributes the 1% of the total GDP of Bangladesh. Porter Diamond Theory is the result of an intensive research conducted by Michael Porter and his team on 100 industries of 10 nations.

For Porter the essential task was to explain why a nation achieves international success in a particular industry. Pharmaceutical industry contributes the 1% of the total GDP of Bangladesh. To analyze the current situation of the rivals \* To discuss the demand condition & customer base 1.

5 Overview of the Porter Diamond Theory: Porter Diamond Theory is a creation of Michael Porter of the Harvard Business School. In 1990 he published the result of an intensive research effort that attempted to determine why some nations succeed and other fail in international completions.

Porter and his team looked at 100 industries of 10 nations. Like the work of new trade theorists, Porters work was driven by a belief that the existing theories of international theory told the half of the story. For Porter the essential task was to explain why a nation achieves international success in a particular industry. Porter argues that four broad attributes promote or impede the creation of competitive advantage. These attributes are: \* Factor of Endowments \* Demand Condition \* Relating and Supportive Industries. \* Firm strategy, structure, and rivalry.

Porter maintains two additional variables that can influence international business: \* Government \* Chance 1. 6 Overview of the Pharmaceutical Industry in Bangladesh: Pharmaceutical sector is technologically the most developed manufacturing industries in Bangladesh and the third largest industry in terms of contribution to government's revenue. The industry contributes about 1% of the total GDP. There are about 250 licensed pharmaceutical manufacturers in the country; however, currently a little over 100 companies are in operation.

<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

It is highly concentrated as top 20 companies produce 85% of the revenue. According to IMS, a US-based market research firm, the retail market size is estimated to be around BDT 84 billion as on 2011. Bangladesh pharmaceutical companies focus primarily on branded generic final formulations, mostly using imported APIs (Active Pharmaceutical Ingredient). Branded generics are a category of drugs, including prescription products, that are either novel dosage forms of off-patent products produced by a manufacturer that is not the originator of the molecule, or a molecule copy of an off-patent product with a trade name. About 85% of the drugs sold in Bangladesh are generics and 15% are patented drugs - the structure differs significantly from the international market. Branded generic drugs represent about 25% years. The success of the pharmaceutical industry in Bangladesh can be defined by the Porter Diamond Theory. Bangladesh manufactures about 450 generic drugs for 5,300 registered brands which have 8,300 different forms of dosages and strengths.

These include a wide range of products from anti-ulcerates, fluoroquinolones, anti-rheumatic non-steroid drugs, non-narcotic analgesics, antihistamines, and oral anti-diabetic drugs. Some larger firms have also started producing anti-cancer and anti-retroviral drugs. Domestic manufacturers account for 97% of the drug sales in the local market while the remaining 3% are imported. This is a complete turnaround over from two/three decades back when imports are a complete turnaround over from two/three decades back when imports used to dominate the market.

The imported drugs include essential life saving drugs and other high quality drugs. The ratio will further increase in favor of the local production as some

<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

of the big players are poised to manufacture these high quality drugs in-house in the future. 1. 7 Overview of the Company: Beximco Pharmaceutical Limited (BPL) is one of the largest pharmaceuticals company in Bangladesh. Beximco Pharma was founded in 1976 and started operations in 1980, manufacturing products under the licenses of Bayer AG of Germany and Upjohn Inc. of USA.

It has now grown to become a leading pharmaceutical company in Bangladesh, and it supplies more than 10% of country's total medicinal needs. Today Beximco Pharma manufactures and markets its own branded generics for several diseases including AIDS, cancer, asthma, hypertension, and diabetes for both national and international markets. The company owns and operates modern pharmaceutical factories mainly in Bangladesh and also has a separate division to operate a modern chemical factory which produces and sells basic chemical products. It also has divisions to produce and sell agro vet and pesticide products.

Chapter 2 2. 1 Implementation Of the Theory As we said before we studied our company based on Porter's diamond which include four internal factors which are- 1. Firm Strategy, Structure, and Rivalry 2. Demand conditions 3. Factor Conditions (both basic and advance) 4. Related and Supporting Industries And two external factors which influence the factors mentioned above are- 1. Chance 2. Government 2. 2 Firm Structure, Strategy, and Rivalry Our Position in Bangladesh: In Bangladesh there are currently a total of 245 companies out of which 200 have operations in the country.

The market is totally dominated by the local companies and there are only 5 multi-nationals currently operating. The 245 companies' together have 5300  
<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

brands registered in Bangladesh. Among this companies BPL is one of the leader with almost 8.4% of the market share. Company (BDT m)| Market Size| Growth in 2011| Market Share| | | 2010| 2011| SPL Pharmaceuticals | 15,725.8 | 20.5% | 18.7% | 19.2% | Incepta Pharmaceuticals | 7,851.5 | 28.6% | 9.3% | 9.0% | Beximco Pharmaceuticals | 7,415.0 | 30.5% | 8.8% | 8.4% | Opsonin Pharma | 4,275.4 | 27.2% | 5.1% | 4.% | Renata | 4,076.8 | 26.1% | 4.9% | 4.8% | Eskayef Bangladesh | 3,980.3 | 18.9% | 4.7% | 4.9% | ACI | 3,578.2 | 24.9% | 4.3% | 4.2% | Acme Pharmaceutical | 3,500.7 | 13.7% | 4.2% | 4.5% | Aristopharma | 3,412.8 | 26.3% | 4.1% | 4.0% | Drug International | 3,070.2 | 18.9% | 3.7% | 3.8% | Top 10 Companies | 56,886.5 | 23.6% | 67.7% | 67.7% | Top 20 Companies | 71,382.5 | 24.1% | 84.9% | 84.6% | Others Companies | 12,661.6 | 20.7% | 15.1% | 15.4%| Total Sector| 84,044.1| 23.6%| | | Source: World Bank

Table 1: Major Players In the Market . 2(a) Company structure: BPL gives highest importance to the principles of Corporate Governance and its implementation within the organization. In BPL we follow some rules like: 1. All new recruits at BPL undergo a mandatory training on Company's Code of Conduct. 2. From the very inception, BPL like the other Strategic Business Units (SBU) of the Group maintains and upholds HR policies that are consistent with the Labor Laws of the country. 3. BPL Pharmaceuticals Ltd leads the Group in encouraging workers' freedom of association and their right for collective bargaining. . The Company follows laws and encourages a workenvironmentthat welcomes diversity and fair treatment in the recruiting process and the workplace. 5. BPL encourages diversity and equal employment opportunity in the recruiting process and the workplace. 6. The

Company pursues policies that proactively address all forms of discriminations in terms of minority, gender and cultural issues. 2. 2(b) Company strategy: For years our company's strategy is to capture the maximum share through customer satisfaction by quality product. In words we put our strategies in this way: 1.

In BPL we value, above all, for top quality healthcare products at the least cost reaching the lowest rungs of the economic class of people in the country. 2. We are obliged to our shareholders and strive for protection of their capital as well as ensure highest return and growth of their assets. 3. We try hard for best compensation to all the employees who constitute the back-bone of the management and operational strength of the Company 4. BPL endeavor for best co-operation of the creditors ; debtors the banks ; financial institutions, the suppliers of raw material, the providers of utilities- power, gas ; water etc. and the customers 5. BPL fulfills her responsibility to the Government through payment of entire range of due taxes, duties, and claim to various public agencies. 6. We strive, as responsibilities citizen, for a social order devoid of malpractices, anti-environmental behaviors, unethical and corruptive dealings. 2. 2. b (1) Long term corporate vision: In order to meet increasing demand in the domestic as well as foreign markets, BPL has undertaken an ambitious expansion program to be completed in two phases. •The first phase, which is already under way, is expected to be completed by 2012 at a total cost of BDT 3. billion. We anticipate a 25% cost overrun for a final cost of BDT 4. 5 billion. The first phase is expected to nearly double the current capacity. •The second phase will start in 2014, completing in 2017 for a total cost of BDT2.



0 billion (including an estimated cost overrun of 25%). We expect the expansion programs contributing to revenue growth after 2012. We made an assumption that the new plants will operate with an 85% efficiency and after the year of completion, 25% of the capacity will come on line in each of the following four years. Second phase will also do the same.

2. 2. b(2) Financial condition:

BPL Pharmaceuticals Ltd (BPL) is one of the two Public Limited Companies of the Group that is listed at the two stock exchanges of Bangladesh. And company's share is considered as 'Blue Chip' at both the stock exchanges. BPL Pharmaceuticals is the stand out market leader with a market share of 19.3% and domestic revenues of BDT 11.2 billion in the four quarters from April 2009 to March 2010. Because of its dominating presence throughout the country, BPL has enjoyed steady growth in sales volume. Cost of sales as percentage of sales has also been declining gradually over the year, improving gross margin.

2(c) Domestic Rivals: As we said before BPL Pharmaceuticals stands at number three in terms of market share of 8.4% and domestic revenues of BDT 8,860.3 MM in the four quarters from April 2009 to March 2010. BPL's nearest competitors are Incepta Pharmaceuticals and SPL Pharmaceuticals with market shares of 8.5% and 19.2% respectively. Incepta and SPL had BDT 4.9 billion and BDT 11 billion in domestic sales for the last four quarters. Although a number of MNCs are operational in Bangladesh, no MNC is among the top ten in terms of domestic sales.

Between two top rivals we consider BPL to be our arch rival though their market share is almost half compared to ours but here we have tried to find

<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

out there position in the market. Here's market study of BPL: If we analyze the present market condition of BPL we can clearly see that it is in a good position. 2. 3 Demand condition In Bangladesh we have huge demand for its products. The demand of local market has helped us to build a strong customer base and gave us the strength to go for international market. The huge demand of our market led us to produce large volume of product.

The medicines we are producing now are given below: 2. 3(a) Products Category: BPL offers a range of pharmaceutical products (400 types of medicine), which include 1. Tablets 2. Capsules 3. Suppositories 4. Injections 5. Liquids 6. Spray, Drops, Ointment, Cream and Powder 7. Oral Dry Powders. 8. Dry Powder Inhalers 9. Metered Dose Inhalers 2. 3(b) Types of Customer: By maintaining the quality we set our price conveniently for the mass population of Bangladesh. We never compromise about our drugs quality thus we acquire the trust of our customer. 2. 3(c) Present Market status:

Besides Bangladesh demand of international market driven us to supply our product in these markets • Europe: UK; • Asia: Afghanistan, Bhutan, Cambodia, Hong Kong, Iraq, Macau, Malaysia, Myanmar, Nepal, Papua New Guinea, Sri Lanka, Tajikistan, The Philippines, Vietnam, Yemen; • Africa: Comoros Islands, Eritrea, Gambia, Ghana, Kenya, Libya, Malawi, Mauritania, Mauritius, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Sudan, Tanzania; • South America: Belize, Costa Rica, Guatemala And these are the market under their exploration: • Asia: Iran, Iraq, Kuwait, Laos, Maldives, Mongolia, Qatar, Saudi Arabia, Thailand, UAE; Africa: Algeria, Botswana, Central African Republic, Chad, Ethiopia, Ivory Coast, Nigeria, Rwanda, South

<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

Africa; • South America: Jamaica, Chili 2. 3(d) CSR activities: Beximco Pharmaceuticals Ltd. is one of the signatory of UN Global Compact in Bangladesh. Our CSR activities helped us to increase our demand. Some examples of our activities are: • BPL supports global business community to uphold social issues in business operations and being convinced of the benefits which will accrue out of voluntary adherence to universally recognized social values in transaction of businesses. •

BPL regularly interacts with the underprivileged segment of the society directly or through different NGOs. • The Company assists the HIV positive/AIDS patients in gaining better access to medicine through donation of AIDS medicine to local NGOs. • BPL has donated two ambulances to Pabna Municipal Corporation ; Ishwardi Municipal Corporation for public use. 2. 4 Factors of Endowments: (both basic and advance) 2. 4(a) Basic factors: Basic factors like natural resources, climate geography demography everything is in our favor in Bangladesh to produce and provide quality health care. . 4 (b) Advance factors condition: In the discussion below we tried to describe the advance factors condition of our company at present. 2. 4. b. (1) R and D department: Beximco has a strong reverse engineering. It has made a collaborative research agreement with Ciba Specialty Chemicals of Switzerland in proprietary research. In formulation R; D, it focuses principally on developing new formulations, predominantly through reverse engineering. BPL also focuses on simplifying manufacturing processes and improving cost efficiency.

Its growing innovation is evident from successful launching of a number of cutting-edge products (for example, Oseltamivir capsules for bird ; swine flu  
<https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

treatments, ARVs, anti-cancer products etc. ) advanced formulations like multi-layer tablets, sustained release formulations, dispersible tablets, chewable vitamins etc. With considerable experience in MDI formulations, BPL's R; D team has successfully developed a range of CFC-free HFA MDIs. In addition, BPL is also developing a number of APIs to ensure availability of raw materials across the range of therapeutic classes.

Beximco Pharma has also signed agreements for collaborative research with leading international API manufacturers to strengthen its API pipeline in order to fully capitalize the WTO patent opportunity. 2. 4. b(2) Human recourse: Strategic Human Resource Development Programs are the energy sources for BPLHR for running towards the peak of success. BPL employs more than 2, 400 staff, including over 300 qualified professionals such as pharmacists, chemists, microbiologists, engineers, doctors etc. BPL is the third largest pharmaceutical manufacturing company in Bangladesh with net sales of BDT 4. 7 million, according to the 2009 annual report. We believe in company growth by increasing efficiency level of employees and for that offering excellent environment and support for skill and knowledge up gradation. Our HR department-- ensures the strong supporting role to develop & implement HR policy guidelines for ensuring uninterrupted operation and spontaneous participation to achieve organizational objective as well as fulfillment of employee needs. - maintain an effective way to deal with labor union and still no unrest has been recorded as dispute. 2. 4. b(3)

Raw materials:

We are proud to say that we are capable of producing raw materials for our own medicines. Some info about our firm's capability of production is given <https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

below : (a) API unit: Established in 1992 and commercial production started in 1995. It is presently the largest quality-bulk drugs manufacturer in the country producing international standard bulk pharmaceuticals to satisfy more than hundred pharmaceutical companies throughout the country. b) Factory plants: BPL Pharmaceuticals has invested in state of the art formulation plants aligned to regulated market standards.

Four plants based on the Dhaka site can produce pharmaceutical products to the highest GMP specifications. These four plants are:

- General plant (approved by MHRA)
- Cephalosporin plant (quality systems aligned to MHRA requirements, plant being prepared for EU regulatory agencies and FDA inspections)
- BFS plant (quality systems aligned to MHRA requirements, plant being prepared for EU regulatory agencies and FDA inspections)
- Biotech (insulin) plant under construction

These plants have been designed by internationally recognized firms and equipped with the best machines that can currently be found on the European and US markets.

BPL Pharmaceuticals has also created quality systems and SOPs according to FDA and EU regulatory agencies specifications

2. 4. b(4) Distribution system: It has one of the largest distribution channels in the pharmaceutical industry. The sales force of Beximco, led by a large number of “ medical representatives”, is one of the most aggressive among all local manufacturers. This ensures that BPL’s products always have a considerably large outreach.

2. 4. b (5) Technology: Beximco Pharma has always been a pioneer in adopting innovative technologies that introduced both sophistication and scale in the business processes.

The company's focus on technology is intended to take the company to a standard which would match with other top global generic pharma companies. BPL is the pioneer company from Bangladesh in introducing technology driven (specialty) products in local and international markets. Such specialty products include: - Inhalation aerosols, including Ozone-benign HFA MDIs - Suppositories - Nasal sprays Beximco Pharma has shown its capability in the past by installing state-of-the-art MDI plant and IV fluid plant in collaboration with Pamasol, Switzerland and Pharmaplan, Germany, a sister concern of Fresenius AG, Germany.

2. Related and supporting industry: Related and supporting industries like Hospitals and health centers Healthcare professionals Insurance and public health bodies Retail pharmacies and stores diagnosticcenters etc are available to support our business firm. In 2006 the total number of hospitals in Bangladesh was 1683. Of these 1683 hospitals, 678 were government hospitals and 1005 were non-governmental.

2. 6 The condition of two external factors: Chance and Government: BPL have enough chance and government support throughout our company life. The prove of it is the rate of our market share and growth in our country.

Though we have some restriction from government about the advertising of our medicine in the media but except that we have our governments' full support where we need it.

2. 7 Overall analysis of the company position based on porter's diamond: Why Beximco Pharma is doing well ? The answer lies in the Porter's diamond as we can see from our report the entire element that make a successful industries are there in the market. It has strong

supporting industries that help us to stay firmly in its feet. It has got all the factors endowment both basic and advanced.

It got a study demand and customer base. And last but not the list its strategies structure is strong enough to face out rivals bluntly. Though we know BPL got strong competition in the market but the pace they are moving we know we are strong enough to any kind threat no matter from where it's coming from. Factors of Endowments (both basic and advanced) Factors of Endowments (both basic and advanced) Related and Supporting Industries Related and Supporting Industries Demand conditions Demand conditions Firm Strategy, Structure, and Rivalry Firm Strategy, Structure, and Rivalry

Log Frame: Intervention Logic| Objectively verifiable indicators| Source of Verification| Factors of Endowments-Basic Factors-Advanced Factors - communication Distribution System -Skill Labor Human Resource-Research - RnD-Technology| -Availability of Natural resources, climate geography demography is in favor. It has one of the biggest distribution systems in Bangladesh. 2, 400 staff, including over 300 qualified professionals such as pharmacists, chemists, microbiologists, engineers, doctors etc. Oseltamivir capsules for bird ; swine flu treatments, ARVs, anti-cancer products etc. advanced formulations like multi-layer tablets, sustained release formulations, dispersible tablets, chewable vitamins etc. - Inhalation aerosols, including Ozone benign HFA MDIs - Suppositories - Nasal sprays- Installing state-of-the-art MDI plant and IV fluid plant in collaboration with Pamasol, Switzerland and Pharmaplan, Germany, a sister concern of Fresenius AG, Germany. | World Bank Annual Report 2011 Annual Report 2011 Annual Report 2011 Annual Report 2011 Annual Report 2011 | Firm Structure, Strategy, and <https://assignbuster.com/implementation-of-porter-diamond-theory-in-beximco/>

Rivalry-Structure-Strategy-Rivalry| Corporate Governance -mandatory training on Company's Code of Conduct. BPL like the other Strategic Business Units (SBU-collective bargaining. -diversity and fair treatment in the recruiting process -diversity and equal employment opportunity-Top quality health care products at the least cost reaching the lowest rungs -Highest return and growth of shareholders assets. -Best compensation to all the employees. -Best co-operation of the creditors ; debtors the banks ; financial institutions. -Supporting the Government through payment of entire range of due taxes, duties, and claim to various public agencies-Rivalry among existing firms is intense. Incepta Pharmaceuticals and SPL Pharmaceuticals with market shares of 8. 5% and 19. 2% respectively. | Annual Report 2011World Bank| Demand Condition| -Huge demand of local market -large volume of product -Range of pharmaceutical products and 400 types of medicine. -Maintaining the quality setting the price conveniently. Exports: Europe: UK; Asia, Africa, South America| World Bank| Related And Supportive Industries| In 2006 the total number of hospitals in Bangladesh was 1683. Of these 1683 hospitals, 678 were government hospitals and 1005 were non-governmental. Wikipedia| Chapter 3 Conclusion: BPL Pharmaceuticals Ltd, as part of a progressive business group, believes that the advancement of good health occurs not only through the innovation, production and distribution of its products, but also through the creation and preservation of a healthy environment. Transparency is a core value of BPL Pharmaceuticals Ltd and other SBUs of the Group and is strictly followed at every step of the business process. BPL Pharmaceuticals Limited has extended her range of services towards the highway of global market.



We believe the way we are leading towards our goal soon we will be known as one of the top leading pharmaceutical company on the world.

3. 2 Recommendations After analyze the whole report we can recommend that -

- We have to give more emphasis on the technological support to compete in global market because after 2016 the TRIPS agreement will expire.

- Should pursue the government to established export cell to promote export of pharmaceuticals to grab and capitalized the huge export opportunity in

- LDCs.
- R; D activities of the company have to be improved if it wants to compete with global players. Patent Law, which is valid up to 2016 for Least

- Developed Countries like Bangladesh. After 2016 the advantage enjoyed by Bangladesh will evaporate so to face that condition we have to prepare our

- selves.
- Though we have our own API plant still we have to import the API equipment's but we should try to produce our own API requirement.

3. 3 References: We used these references to prepare our study:

- International Business by Charles W. L. Hill
- [www. BPLpharma. com. bd](http://www.BPLpharma.com.bd)
- [www. beximco -](http://www.beximco-pharma.com)

- [pharma . com . World bank](http://www.beximco-pharma.com)