

Glaxosmithkline in china essay sample

[Countries](#), [China](#)



Introduction

There has been a lot of increase in expanding companies throughout other countries. In order for a CEO of a company based in USA to move some of its operations to China, it's best to understand the foreign and local policy that is in place in China and the bribery scandal that involved four employees of GlaxoSmithKline. This case study will examine the GSK scandal by analyzing the case that involved the four employees, the Chinese government, assessing GSK's response, lessons learned in order to provide the USA based company to operate at a lower risk and succeeding in China.

Analysis

Question 1

GSK has featured its robust ethics and compliance program, even a "3rd Party Code of Conduct" for suppliers. What went wrong? What are the main external and internal factors that encouraged the GSK bribery scandal in China? Which, in your opinion, are more important? Explain your position. According to Quelch & Rodriguez (2013), GlaxoSmithKline (GSK) is a pharmaceutical company that started off as an import-export business in New Zealand and has expanded into a worldwide firm with offices in United Kingdom, India, South America, China, Malaysia, and Greece (Quelch & Rodriguez, 2013). DRS explains one of the challenging factors is changes in political situations and government policies (DRS, 2015, p 7). Because of that, GSK has a strict policy on regulations breaches, fraud, bribery and corruption. Upon arrival, every GSK employee goes through training on the "Code of Conduct" that teaches employees how to conduct business with "honesty and integrity and in compliance with all applicable legal and

regulatory requirements” by: Always acting legally and fairly, within the spirit of all laws, regulations and policies Not offering illegal inducements

Looking for principles, not loopholes

(Quelch & Rodriguez, 2013). GSK has a “ 3rd Party Code of Conduct” that requires all 3rd parties to conduct business in an ethical manner and act with integrity (Fox, 2014). The employees were fully aware of what bribery is and what is expected of them as an employee of GSK. There were several factors that was taken into the scandal but the most important factor was money. Money was both an external and internal factor that influenced the doctors to prescribed GSK drugs and bringing in more sales for the employees, which resulted in higher pay and status. As doctors from China do not make a lot of money and China not allowing doctors to take second jobs (Quelch & Rodriguez, 2013), it’s easy for GSK to bribe additional money to them.

Question 2

Assess GSK’s response so far. Are the initiatives that GSK has implemented to address the bribery problems sufficient or would you suggest further actions? If you were Mark Reilly what would you have done? Explain. GSK issued a response to the allegations of the scandal in China on July 15, 2013, a few weeks after the initial raid on June 27 2013 (Quelch & Rodriguez, 2013). They agreed, supported the Chinese government in their full investigation of the allegations and also took various steps for the fraudulent behavior. Immediately, they stopped the use of travel agencies and conducted a thorough investigation of the transactions that was related to the travel agency and other third parties (Quelch & Rodriguez, 2013).

Because of their zero tolerance on corruption and bribery, the CEO - Andrew Witty - sent the President of International, Abbas Hussain to China to discuss the investigation and with the government regarding the future of GSK's operations in China. At the same time, Mark Reilly, GSK's general manager of China was being replaced by Herve Gisserot (Quelch & Rodriguez, 2013).

All of the actions that GSK took was sufficient enough to show that they were sorry and was willing to comply to the government in order to continue operations. If GSK had a true zero tolerance policy then they should've provided a harsher punishment for the individuals involved and Mark Reilly for not doing anything about it earlier. Even though GSK provided training to all the employees, additional policies needed to be placed in order to prevent such allegations. For example, having a thorough background investigation on the employees is essential to see what kind of potential employees GSK will be hiring or closely look at the transactions that goes through the company and/or each employee with each third parties. Also, having a strict rule on higher management is an important aspect because the CEO can't view every detail that goes on through the company. Higher management has to be his second eye that can see these things and take action when needed.

If I was Mark Reilly, I would have a full detailed of all the transactions that are going through the company and if there is anything that stands out, then I would provide a further investigation in it. It was revealed that the GSK employees paid over \$450 million in bribery since 2007 (Quelch & Rodriguez, 2013). \$405 million is an outrageous number that should have stood out if

Mark Reilly had taken a deeper look into the reports. Mark Reilly was not performing his duty in order to keep the ethical policy of GSK in hand.

Question 3

Do you think that GSK has been treated unfairly? Was GSK really at fault or was it just unfortunate to have gotten caught given the perception that companies have to resort to bribing to win contracts? Explain. The scandal in China was not the first time that GSK was accused of bribery. In 2012, GSK was penalized by the United States that involved bribery, \$3.4 billion (Quelch & Rodriguez, 2013). In the United States, the pharmaceutical industry had paid over \$30 billion to the United States government for their wrongdoing. GSK should have learned from the mistake made in the United States and find ways to better improve their policy and catching their employees. This was essentially their second chance. Because of this, GSK was treated fairly. GSK had an unfortunate situation in which they were caught for bribery since its common in the industry (Quelch & Rodriguez, 2013).

Two legislation, Foreign Corrupt Practices Act of 1977 and Bribery Act 2010 were passed by the United States and United Kingdom in order to prohibit such act in other countries. GSK should be well aware of the punishment that comes for bribing. In China, doctors do not make a lot of money as compared to other countries and furthermore, they are banned from taking on additional jobs for additional income (Quelch & Rodriguez, 2013). Therefore, it would make be easier for companies, such as GSK to briber these doctors in prescribing their drugs in order to make more money and provide a living.

Not only does bribery happened at GSK in China, but there has been other incidents such as AstraZeneca who had to pay the US government \$520 million in 2010 and Johnson and Johnson who had to pay the US government \$21. 4 million for bribery in 2011 (Quelch & Rodriguez, 2013). There's an old saying that " money is the root of all problems" and from these experiences, it's unfortunate that GSK was caught by the Chinese government but bribery is a big issue that is happening everywhere. Question 4

How can we avoid similar situations and how can we reconcile local expectations of questionable payments with the U. S. Foreign Corrupt Practices Act or the U. K. Bribery Act? What do you recommend? Explain your position. In order to prevent similar occurrences, its best for management to perform research beforehand and learn about the rules and regulations that are out there internationally and the countries that they are doing business with. Bribery is a serious crime that has harsh punishments and high fines. A couple of act that was in placed to regulate these misconducts, The Foreign Corrupt Practices Act, the Bribery Act 2010, the Criminal Law of the People's Republic of China and the China's Anti-Unfair Competition Law are examples of the acts needed to be reviewed in advanced. The Foreign Corrupt Practices Act that was passed in the United States by Congress was designed to discourage businesses and citizens from bribing foreign officials (Quelch & Rodriguez, 2013).

The Bribery Act 2010 was passed by the United Kingdom in order to prevent briberies from happening by not only penalizing the giver and receiver of bribes, but also the company for not preventing it in the first place (Quelch &

Rodriguez, 2013). The Criminal Law of the People's Republic of China contained information on the sales of pharmaceuticals, how to handle such sales, definition of bribery and punishment (Quelch & Rodriguez, 2013). The China's Anti-Unfair Competition Law also includes bribery that was of secret and not tracked (Quelch & Rodriguez, 2013). On top of laws like these, it's important to learn about the country's rules and regulations to prevent bribery. For example, for GSK and the China scandal, they should've researched more about the medical industry and learned that doctors don't get paid as much and since GSK is a pharmaceutical company, then that there is a possibility that bribery will be higher in China than in other countries in order to get doctors to prescribe patients with more drugs from GSK than other competitors. Question 5

What strategic and operational lessons can we take from your analysis?

From what was researched and learned in the GSK scandal in China, there was enough evidence to prove that GSK was wrong for doing what they did and that they, and the employees deserved the punishment. Cooperating with Chinese officials is a good start for GSK but in order for them to learn from it, additional steps has to be taken in order to GSK has to take the necessary actions in order to prevent further incidents by implementing other policies and punishments. Furthermore, China is expanding its policies by making an effort to make drug prices more affordable, motivate the pharmaceutical industry to comply more with the local laws and soliciting pricing information from 60 manufacturers (Quelch & Rodriguez, 2013). The changes will not only effect GSK but all existing and future pharmaceutical companies that deals with China. Conclusions and Lesson Learned

This case study is about GSK and the bribery scandal that happened in China. Not only did this case study explained what happened, but was also an eye opener for all companies and industries that are looking to expand globally. The case study analyzed every different aspect of the case – what went wrong, what were the factors that were involved, the response provided by GSK and Mark Reilly, whose fault it was, was GSK treated fairly, how to avoid similar issues, lessons learned and recommendation. A lot can be learned from this case but the most important lesson is to avoid it in the beginning. If policies, punishment and thorough reviewed were performed in the beginning and every aspect of transactions, bribery would have been avoidable and GSK would not be in the position on where it's at. For future companies that are looking to expand globally and doing the same as GSK, its best to perform intensive research and implement regulations in the beginning to avoid such issue.

References

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