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GlaxoSmithKline Case

Contrast and compare traditional Pharmaceutical R&D structures to the CEDD structure.

If we compare and contrast the traditional pharmaceutical R&D structures with the newly developed CEDD structure, we find that the new CEDD structure tried to increase the overall productivity rate of the pharmaceutical R&D structure; it tried to fill those gaps that were left open by the traditional R&D structures. If we analyze the major differences between the two setups, we can infer the following:

- The new CEDD structure that Mr. Yamada proposed was subdivided into six distinct “centre of excellence in drug discovery” centres. Each CEDD focused on one to three therapeutic areas, and they were grouped together based on the similarity of the disease mechanisms. CEDD’s were an organized way of conducting research and development unlike the traditional R&D structure, which had no such divisions.
- In traditional R&D systems, there were multidisciplinary teams that were divided by the therapeutic area. However, CEDD had a different structure that constituted of a series of line reporting relationships. In CEDD model, chemists and biologists did not report to the global function areas, as in the case of traditional R&D systems. Instead, they reported to the CEDDs.
- In the case of CEDDS, each one could identify the disease of its interest and would commission two groups Genetic Research and Discovery Research to identify its targets and lead components. It was another unique process that was not present in the traditional R&D processes.
- In traditional R&D processes, all the progression decisions that were related

to Proof of Concept would require the approval of a centralized R&D committee. Whereas, in case of CEDD, all the decisions at the end of Phase IIa would be made by the members of CEDD and not by any central authority.

- Another major difference was the incentive schemes, which were offered to the scientists of CEDDS in case of successful product launches. In traditional setups, discovery researchers were evaluated and appreciated, but there were no financial rewards involved.

What is your opinion of Yamada's proposal for CEDD? Specifically, what are the strengths and weaknesses of CEDD are compared to other potential organizational structures for R&D Yamada could have used?

According to me, Yamada's proposal for CEDD was the one that had a clear vision and tremendous growth potential. One of the reasons for this was that the entire pharmaceutical industry was suffering from excessive bureaucracy, poor communication across and within functional areas and lack of entrepreneurial spirit. Let us analyze strengths and weakness of CEDD as compared to the traditional R&D structures:

Strengths:

- CEDD had a flexibility and responsiveness of small biotech firms combined with the infrastructure and management back up of a large firm. It combined the best attributes of the pharmaceutical industry.
- CEDDs have six centres of excellence; they were 1. Neurology 2. Psychiatry 3. Antibacterial 4. Respiratory, Inflammation, and Respiratory pathogens 5. Cardiovascular, Cancer and Urogenital 6. Metabolic, Bone, and Antiviral. The centres of excellence were a planned way of targeting different diseases

systematically. And it will also provide a much needed flexibility and responsiveness to the groups.

- Unlike the traditional structures, the chemists and biologist at CEDDs will not report to the global functional areas but will report to their CEDDs. This initiative will save much time and will increase the overall success rate.
- The incentive scheme at CEDDs will motivate the scientists and discovery researchers to perform even better than ever.

Weaknesses

- In CEDD's, all the progressive decisions after Phase IIa would be made by CEDD members, which could be a controversial decision. It can backfire when issues related to approvals and final accountability arises.

- Yamada was reluctant in restructuring the product development group at the same time when he was proposing the dramatic changes to drug discovery. Yamada's decision could create some confusion and communication issues among the product development group and CEDD.

Do you agree with Yamada's goal of providing researchers at GlaxoSmithKline incentives similar to those received by researchers in small biotechnology firms?

Yes, I agree with Yamada's goal of providing researchers at GlaxoSmithKline with incentives that are similar to those received by researchers in small biotechnology firms. Some of the reasons that support this stand are:

- Small biotechnology firms had the right combination of flexibility and responsiveness which made them stand apart from huge pharmaceutical companies.
- In large pharmaceutical companies such as SmithKline and Glaxo, the

researchers were given a pat on their backs for achieving their targets. This encouragement was not accompanied by financial incentives, and that is the reason the targets did not translate into new product.

- There was a lack of motivation in researchers at big pharmaceutical companies. By providing incentives at GlaxoSmithKline, these researchers were motivated to fuel new discoveries and share the organization's success. By giving options to key scientists and researchers, Yamada aimed to replicate the equity- based incentive structure of smaller biotechnology firms.

What challenges would Yamada face in implementing the CEDDs?

Following are the challenges that Yamada would face while implementing the CEDDs:

- Time delays that might be caused due to the merger of GlaxoSmithKline.
- The six branches of CEDD's would be independent of each other. There can be competition between different CEDD's that could disrupt the organization's ability to take advantage of their similarities in the molecular and biological pathways, in which a particular compound acted against the disease (also called as " mechanism of actions").
- There can be some conflicts between different CEDD's over the course of time. Yamada's strategy for introducing new candidates was to rely on the expertise of CEDD's, it could be possible that, in the future, some CEDD's might develop some vested interests and act accordingly.
- One of the biggest challenges that Yamada faced was that the proposal of creating CEDD's would not tackle the main challenge which the

pharmaceutical industry faced. The issue was the creation of a cure for some of the incurable diseases such as AIDS.

Conclusion

According to me, Yamada's decision of creating CEDD's was the one taken in the right direction. The decision to create CEDD's would be beneficial to the organization as well as the pharmaceutical industry that needed a boost in its R&D initiatives. The decision reflected the long term vision and the strategic goal that Mr. Yamada had created for GlaxoSmithKline.

References

Huckman, Robert & Strick, Eli. GlaxoSmithKline: Reorganizing Drug Discovery. Harvard Business School (2010). Print.