

# [The background of glaxosmithkline](https://assignbuster.com/the-background-of-glaxosmithkline/)

GlaxoSmithKline (GSK) is amongst the top 20 FT Global 500 companies and among the top 5 pharmaceutical companies in the world. GSK develops, produces and promotes in two industry sectors: Pharmaceuticals and Consumer Healthcare. The company, through its Pharmaceuticals segment, focuses on provides prescription pharmaceuticals and vaccines. Its Consumer Healthcare segment provides OTC medicines, Oral healthcare and Nutritional healthcare (Datamonitor, 2005).

The company mainly operates in 120 countries and its promotion is done in over 150 countries. It’s headquarter is in Brentford, UK and employees are 99, 913 as of December 31, 2009. GSK’s history goes as far back as 1859 when Beecham opened the world’s first factory built solely for making medicines at St Helens in England. Since that time the group has passed through many phases, but the turning point came during the merger of Glaxo Welcome and SmithKline Beecham in 2000, it had also seen a merger of Glaxo and Welcome in 1995 (Glaxo, 1998). There was a main impact on the society, structure, stakeholders and policy of the company due to this combination.

The company recorded revenues of £28, 368 million ($44, 422. 3 million-) during the financial year (FY) ended December 2009, an increase of 16. 5% over FY2008. The operating profit of the company was £8, 425 million ($13, 193 million-) during FY2009, an increase of 18% over FY2008. The net profit was £5, 669 million ($8, 877. 3 million-) in FY2009, an increase of 20. 3% over FY2008. – Calculated using the constant conversion rate of £1 = $1. 56593 for the year ended December 31, 2009. (Source: http://www. researchandmarkets. com) Improvement is at the spirit of GSK’s aims and the company promotes this through its exceptional culture. The objective of the company as described by its Annual Report 2009 is to become the undisputable leader in the pharmaceutical and consumer health industry (Glaxo, 2009). The strategies of GSK is to paying attention the business around the deliverance of three strategies priorities-Grow a diversified universal business- Broadening and matching their portfolio, diversifying into latest products areas and capturing chances that exist outside their recognized geographic footprint. Distribute more products of value- Transforming R& D to make sure they not only deliver the urgent pipeline but are also capable to uphold the stream of products for days to come. Simplifying the working model- to make sure that is well for purpose and capable to maintain their business in the most cost efficient manner. (http://www. gsk. co. uk)

## 02. Changes are being affected by the Economy

Strategic development effects the company in different ways. To evaluate atmosphere of any organization we have to understand the connection with different problems and matter with one another and the outcome of that particular areas. It includes the characteristic those are political (taxason policy, foreign trade regulation, government stability), economical (unemployment, disposable income), social (life style change, level of education), technological (government spending on research, speed of technology transfer), environmental (company’s responsibility to society) and legislative (code of practice, access to raw materials) factors.

There has been extensive research into the possible impact of freedom of global trade by World Trade Organization (WTO). for China. In 2005 China announced the ending of some of the remain quota systems existing on different segments. This has assist the process of globalization in support of moral drug manufacturers like GlaxoSmithKline (GSK) and also opened up a marketplace of 1. 29 billion inhabitants. It has been estimated that in 2004 the global pharmaceutical market was worth £ 275 billion, with projections showing an annual global sales growth of 6% over the following five years (Datamonitor, 2005). Illustration upon Pollack (2005), it can be stated that the majority of the sales in the industry originate from the ‘ Triad’ countries i. e. US, EU and Japan. The strength of economy is a vital power on the level of flexible buying and how greatly is spent on requirement purchases. The following graph and the table of figures have been made with the help of data taken from ONS (2005).

The UK industry cycle (HM Treasury, 2005) shows that the existing cycle in progress in the early 1999; pointed in 2001 and afterward saw its lowest point in 2003.

This is excellent news for all the businesses in UK as these cycles have fewer impact on them now than before. The illustration of the UK business cycle adopted from HM Treasury Report 2005 is provided as follows:

National Health Service (NHS) has expected that healthcare expenditure growth will continue fairly stable till 2014, growing at the price of 7% every year (NHS, 2005). This chart growth in the healthcare spending can be seen has a chance for ethical drug manufacturers like GSK. The existence of price control has limited the revenues that the research-based companies can make from their patented products. There are stringent government regulations that govern the entry to pharmaceutical industry. (Debra & Sivakumar, 2004).

Thus it can be fulfilled that the rising costs, stringent laws, increasing basic competition and declining innovation are the main reasons for the post merger combination changes in the R&D division by the administration of GSK.

## 03. An Evaluation of the Strengths and Weaknesses of the GlaxoSmithKline

Every organization has their Strengths and Weaknesses. After an analysis of GlaxoSmithKline the following strengths and weaknesses has find out.

## Strengths

The major strength of GlaxoSmithKline is its well-built R&D development with a broad therapeutic exposure and its Marketing power in key geographical and therapeutic areas. The company is extreme less incorporated than the other big business that which makes them additional flexible compared to others. It has a big business structure. GSK drive its business not only in UK but in many countries all over the world. It has accessible Patent security for a number of years on key products. Quality management team and large highly skilled work force increased the company’s status. It’s Revenues up 8. 5% since 2005 and Profits up 13. 3% since 2005. Sound investment made the company worldwide positioned 2 in the pharmaceutical manufacturing. Plans to offer 25 new drugs in next 2 years might be the strengths.

## Weaknesses

GlaxoSmithKline is an industry leader. Although their products are renowned, GSK is not a well known “ brand name”. Public reflection in US is reduced after efforts to limit re-sale of drugs from Canada to US. High debt to equity share is their weakness that’s raising cost of sales. Hammering of 11 products in period II testing. Internet sales from Canada to US decrease sales straight to US. The company has low market domination. Irregularity of attractive promotions is another weakness of GSK. The company is highly depending on only some selected products. For the main focus on UK marketplace losing opportunities. In the final stages of progress the company has discontinuation of some products. Their Co-marketing agreement can decrease GSK’s worldwide presence. Enlarged size and operational difficulty makes GSK a less responsive company. (Source: http://www. allfreeessays. com)

## 04. Comparison of the alternatives form of Organization Development

The merger of 2000 can be seen as the proper use of ‘ sigmoid curve’ (Handy, 1994), as the company started a new curve before the first one declined. Both the companies had the time, capital and power to get the next curve through its early struggle before the first curve declines. But it was the practice and management potential of both the companies that direct them through a winning change management plan. This combination can be shown as follows:

Considering these outside stimulus the CEO of the company Jean-Pierre Garnier tried to reconcile the concepts of being big and think small by dividing the R&D department into seven ” centers of excellence for drug discovery ” (hereafter CEDD) (Financial Times: April 2, 2001). The change can be categorizing as planned map and can be represented on the following diagram:

The change condition of the R&D division through the post-integration era at GSK can be seen as transformational as it accomplish the five main indicators of transforming alteration given by Ashburner et al. (1996: p. 6). The declared change influenced the culture existing at the sector, changed the relations of operations and R&D division, created new leaders inside each CEDDs, changed functions of individuals & teams. Moreover, in this change the managing role was positive therefore GSK being the core of R&D can be seen as in the designed transformational phase, during the post integration stage of the combination.

The varieties of change Model has illustrated below:

## Figure: Varieties of change Barnard Burns, Managing Change, 5th edition, 2009

The culture of repeated align little improvement and consistency defer large results in the structure of compound efficiency improvement. Kaizen method includes building changes and monitoring results, then regulating. Large- scale pre-planning and widespread project developments are replaced by less significant experiments, which can be rapidly modified as new improvements. Stable method may be enhanced by applying a kaizen continuous development program. A remarkable step-change in performance may be achieved by radical re-engineering of the GlaxoSmithKline.

## Figure: Approaches to Change: Barnard Burns, Managing Change, 5th edition, 2009

Changing the behavior of even one individual, that is discontinuing discarded behaviors and /or initiating latest behaviors is a challenge. But large-scale transformation is something else overall. Openly recognizing the step a process has reached in the life cycle offer guidance for practitioners successfully to direct and handle a program of performance development. Hence, in today’s universal and dynamic environment patent with hyper-competitive and unstable markets it is widely accepted that an organization’s capacity to manage change rapidly, effectively and positively is a important driver of organizational success.

## 05. Stakeholders Analysis in the Change of GSK

Stakeholders are people or organizations who either place to be affected by the project or could ” make or break” the project’s winner. They may be winners or loosers, included or excluded from decision-making, users of results, participants in the development. Stakeholder’s analysis is the identification of a project’s key stakeholders a assessment of their interests in the project and the ways in which these interests may affect a project.

In order to identify the problem and thus make a sense of importance a stakeholder mapping had done by the industry. The company defined the core and peripheral stakeholders for this change and grouped them together to create a strategy for each group. The diagram explains the company identified the possible impacts on each of its stakeholders and devised a policy to undertake these impacts efficiently that the first step showed scientists and shareholders to be the core in this transform. To make a list of approaching forces (Lewis, 1951), the stakeholders and the impacts measured by the company can be summarized by the following table:

In addition, the association of GSK with its key stakeholders was used to prove the plan that was adopted for every set of stakeholders. This has summarized by Power/ Interest Grid for stakeholder prioritization. The intend of each strategy can be seen in this depiction:

Hence the company used a comprehensible and mutual vision that acted as a compass that afford ongoing track to the transform journey. Depiction upon Chorn (2004) the vision needs to be clear and widely shared throughout the organization. The mission statement of GlaxoSmithKline according to its most recent annual report is to become the undisputable leader in the pharmaceutical and consumer health industry (Glaxo, 2009). This statement truly captures the strength and intentions of the company. But critics recommend that the mission statements generally are not useful in mobilizing force for the change.

## 06. An Investigation and Evaluation of the Proposed Change in GSK

There are no simple solutions to the challenge to provide sustainable entrance to healthcare in developing countries. GSK are committed to live a full part in addressing the healthcare challenges of the developing world by taking a pioneering, liable and sustainable approach. GSK is playing a essential role to developing country healthcare by action in different areas including: superior pricing of our anti-retrovirals and anti-malarials; tiered pricing of our vaccines; investing in R&D that aims diseases mainly affecting the developing world; community investment movements and partnerships that promote effective; and seeking innovative partnerships and solutions. ” We cover our contribution to improving access to medicines extensively in our Corporate Responsibility Report. We were a clear leader in the first Access to Medicines” (ATM Foundation in 2008).

In February 2009, they announced a sequence of commitments for the UN named list of least developed countries, including a extra flexible approach to scholar property for investigate into ignored diseases, a promise to invest in healthcare infrastructure. A major increase in property from the worldwide community is still needed to maintain R&D and to supply access to the follow-on medicines and vaccines. GSK are working to give access to medicines for people with inadequate financial funds and without prescription drug insurance. Leadership style used in each CEDD and the overall leadership style during this change has been under pressure so that it is aligned with enhancing creativity (Financial Times, 2005).

The inspiration of the people was extremely low for many changes going on in a very short period of time. Employees first saw the joining of Galxo and Wellcome in 1995 and then of GlaxoSmithKline in 2000. They had a thought that they were being treated like sales division by raising competition within themselves (Financial Times, Oct 24, 2002). This fall in the motivation of the workers can be seen as what is identified as ‘ Denial Stage’ in the Kubler-Ross Transition model. This model with the emotional states of the undergoing staff is illustrated as follows:

So according to this curve, GSK needed move toward that allows a soft transition from denial to recognition in a little time frame. GSK also needed to be changed to supply for this new CEDDs based R&D division as there might be potential knowledge management matter among the centers and also they had to struggle for their budgeting needs. These issues in the enablers’ part of the EFQM would guide to the GSK’s unhappy employees and consumers that in the long term will plan in weak pipeline which is one of the key performance indicator for GSK. Although the act taken by the administration to create the CEDDs can be seen as an unexpected one, but it took the trail of ‘ Organizational Development’ to establish this change into the culture of the organization.

## 07. Development and Adaption of appropriate models for the recommended Changes:

In order to connect the improvements from this transform, GSK needed to apply the organizational improvement theories to cope the smooth midway period. The change from one R&D division to seven independent group oriented CEDDs, can be represented in the following diagram:

This structural change can only be possible if it is supported by a cultural change Handy (1993). Thus the business was faced with yet a new difficulty of changing the culture of the department to make the CEDDs work successfully.

There are several models that illustrate this intangible attribute of a company on a map. One of the most accepted one is the “ Gottarna Cultural Map ” (Handy, 1993 & Chorn, 2004). According to this diagram the culture of the organization can be exposed as I (Integration), D (Development), A (Administration) and P (Performance) logics or some arrangement of this. Thus the cultural change at GSK can be presented on the following axis:

It shows that prior to the transform in the R&D section the existing culture can be seen as a ‘ Power Culture’ and it was extra oriented to the development (D) area. Thus the sector was lacking a competitive atmosphere. The change in the organization of the department can be seen as a planned change in the culture to the performance (P) area that keeps an eye on the contest and uses creativeness and innovation in the limits of realism.

This cultural alteration in turn needs a strategic coalition of the external & internal players of the area. Strategic alignment for GSK is given below:

(‘ Best fit’ approach (Handy, 1993)

The model illustrates the quantification of outside orientation of internal portion that includes leadership, society and plan. The fit among the internal & external situation is the key to a constant competitive benefit and adds value for every stakeholders of the business. Although the vital aim of the planned change is on structural feature of the R&D division but the impact also be seen on the culture of the division as well.

## The process of Cultural Change:

The challenge was to inspire people and have possibility plans for this cultural transform at GlaxoSmithKline’s R&D section. The chance is infinite in an institute; the complex part is to decide which interventions are expected to have major impact. The company has adopted a four step procedure to beginning of cultural change. The change process has been a little customized from the force field analysis proposed by (Lewin 1951) to fit the transform situation of GSK. The steps that were undertaken by the group can be illustrates by the following diagram:

## By these four steps it covers the following points:

Ensure that the R&D department & people know the pressure of transform. Grow and share a clear image about where the company and department is headed. Put in position the person, departmental and managerial capability for change. Have a preparation of action that outlines what has to be completed to get it all started.

## Lewin’s Three-Step model”

Managing Change includes the effectiveness policies and programs to allow those change agents to accomplish the new vision. For the work, I will be choosing Kurt Lewin’s 3- step model for the change of the organization. Lewin identified the role of habit in our thoughts and actions. Lewin’s basic change model of unfreezing, changing and refreezing to be a theoretical foundation upon which change theory could be built solidly in GlaxoSmithKline.

Figure: Lewin’s Three-Step model of change

Unfreezing (create dissatisfaction): Unfreezing is the basic step into the theory. It is about serving the stakeholders ” let go” or not do things how they have always done. The effects of the driving and restraining forces appear to play at this step. If the restraining is larger than or equivalent to the driving forces there will be no transformation. So GlaxoSmithKline company must aware about their driving force and restraining to be successful of the change in the organization.” The driving force must outweigh the restraining force in order for enough motivation to take place; merely introducing a driving force is not enough to cause a shift in the equilibrium of the perceived change ”(Schein, 1995).

Moving (implementation): Moving to a new stage or changing means accurately that it is about changing the old actions with accomplishment that are reliable with the objective. To help retain the inspiration for change of the GSK, functioning in groups or obtaining support is useful. The process of change is not only done physically, it requires mental alterations (Tichey, 1997).

Refreezing (Stabilization): This is the last stage in the 3-step model. When the transformation are taking figure and people have hold close the new behavior of functioning the organization is organized to refreeze. GSK needs to make sure that the changes of the company are used all the time and that they are integrated into everyday dealings. GSK can accomplish this step when most of their stakeholders normally take the creative action with no thinking, it turn into the model. The new action must be fitting to behaviors and characteristics of the individual to remain effective or the old action will reemerge (Schein, 1995).

## 08. Planning of Implementation and Possible Outcomes:

GSK has provided clear guidelines for people to create the main first steps. It is obvious from the literature that the effectiveness of the change program depends upon the first steps taken (Andrew, 1995). The change attempts can fail because no one knows where to start Chorn (2004). It is required to break down the idea into its divided parts. SMART: Specific, Measurable, Achievable, Rational and Time bound objectives require to be setup. Then list the actions required to carry regarding these objectives must be done. Lastly set performance actions require to be taken care of. The stepwise approaches make sure that objectives are reached in time and the change takes place in a time bound frame.

The change of the R&D division from a particular unit to seven smaller, independent CEDDs and the cultural change which will accompany it can be seen like people oriented and also as ignoring the job needs. As the group will be working separately and there will be a contest among the teams therefore the position that can establish with over importance on teams can be revealed with John Adair’s circles (Handy, 1993) bellow:

Hence, in order to remain the team alert on the duty, the equilibrium among team, task and person needs must be catered. This can be completed by having a democratic leadership approach inside all CEDDs. GSK uses European Foundation for Quality Management (Excellence Model) to measure its performance (Simmons, 2003).

The model has been used by the companies to measure their performance in different phase of change management. This structure provides a benchmark alongside the best apply not only in the business but also across various industries. The impact of transform on the business and in particular on the R&D division is considered to be of competitive benefit for GlaxoSmithKline and can be represented on EFQM by using arrows in the following way:

This shows the change method has an outcome on management, people, resources and process that will also impact on the effect of customers and key performance indicators.

## Conclusion:

In order to sum it up, it can be accomplished that the content, framework and process adopted by GSK in the light of external market changes throughout the post merger combination of the corporation can be seen as a good apply in the change managing field. The study shows that the requirements for change projected by the management were desired at that time and the assessment strengthens this argument. The procedure adopted by the business can also be seen like one of the greatest practices to be used for benchmarking in the production because the cultural characteristics were marked and dealt with during the transformation. Therefore in light of the discussion provided with the help of relevant theories the change management at GSK of division of R&D department into CEDDs can be used as benchmark for good practice for others in and across the industry.

## Word Count: 3784