

GlaxoSmithKline to revise corporate image

Bureaucratic Platitudes

After detailed planning, the world's second largest pharmaceutical company has found a magic formula for regaining success. Really?

When a group with common interests reaches a certain size, communication gets complicated, resulting in sluggishness and inefficiency. Seven people are often regarded as the upper size limit for efficient teamwork and more than 30-40 staff are a good size for a company that wants to stay efficient. More than a hundred people is a recipe for bureaucracy and mismanagement.

GlaxoSmithKline (GSK) has 103,483 employees and a vast array of problems due to bureaucracy and mismanagement. The pharmaceutical pachyderm, founded in 1880, struggles with grabby executives, has a lousy public image and conducts aggressive lawsuits with millions of dollars at stake. GSK has an extensive administrative overhead on the one hand and too few top level employees in crucial fields such



Some of Glaxo's blockbuster drugs (above: Advair) will lose patent protection soon. Head of drug discovery, Patrick Vallance, has found a staggering answer: biotech.

as research and development on the other. The pharmaceutical giant's stock price has reached a historic all-time low, due to some blockbusters losing patent protection in the next four years.

Take GSK's megaseller Advair for asthma and chronic obstructive pulmonary disease (COPD). The US patent for this combination of the anti-inflammatory fluticasone and the vasodilating salmeterol will expire in May 2010.

But what's more, none of its 103,483 staff has a clue what to do. Without any further prospect of organic growth, Glaxo's satisfied employees have settled into their bureaucratic rut.

Biotechnology is the clue

However, GSK's head of drug discovery, Patrick Vallance, recently gave room for hope. At a meeting in London, the former UCL (University College London) professor announced that Glaxo has rediscovered the magic formula for success. Vallance said that his employer plans to become more "biotech-like" in advancing new therapies. The *Financial Times* reported on the same topic that Glaxo intends splitting its development teams into smaller units with a very clear focus on single [disease] areas, paid by results. That would, "stimulate innovation and incentivize for creating value" according to Vallance's conception of future growth.

Biotechnology. Smaller units. Really clever idea, this. Every dog has its day, even though competitor Roche had the same idea 18 years earlier when it snapped up the majority of Genentech shares to tap an unflinching cash cow.

Centres of excellence shall set things straight

Glaxo really expects heavy seas ahead. The mentioned expiring drug patents could mean the loss of tens of billions of dollars in annual revenues. For this reason, the British company has moved heaven and earth in recent years to boost its productivity, establishing semi-autonomous Centres of Excellence where researchers operate with their own budget and more elbowroom (see related story on pages 45-47). In 2005 Glaxo created another Centre of Excellence for Exter-



Cartoon: Chris Schleg

nal Drug Discovery (CEEDD), "that aims to provide alternative scientific and drug discovery approaches" outside the company.

However, Glaxo's innovations could be too late. The development of profitable new medicines takes at least ten to twelve years and Glaxo's reforms started only half a dozen years ago.



Photo: GSK

GSK's headquarters at Brentford, UK, houses a lot of value and innovation (says GSK).

For this and other reasons, we should be sceptical. Words like "value" or "innovation" sound good at press conferences but are mostly hot air. WINFRIED KOEPELLE

GSK fires 350 researchers

Pink Slip Innovation?

As reported in the article above, Glaxo-SmithKline intends to split its development teams into smaller units. The British drug maker has apparently already made a start. In June, GSK announced plans to fire 350 employees in research and development labs in the USA, Italy and Germany. The current fashion at GSK's headquarters at Brentford, London is called "extreme outsourcing" and the remaining 103,000 at GSK are nervous about what the future holds.

-WK-