

Report On  
Enterprise Risk Management Analysis of GlaxoSmithKline  
Bangladesh Limited.

By  
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16104151

An internship report submitted to BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA).

BRAC Business School  
BRAC University  
April 2020

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## **Declaration**

It is hereby declared that:

- 1. The internship report submitted is my own original work while completing my degree at BRAC University.**
- 2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.**
- 3. The report does not contain material that has been accepted, or submitted, for any other degree or diploma at a university or other institution.**
- 4. I have acknowledged all main sources of help.**

**Student's Full Name & Signature:**

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**Khondaker Yaseer Sadik**

ID-16104151

**Supervisor's Full Name & Signature:**

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**Syed Mahfujul Alam**

Lecturer, BRAC Business School

BRAC University

## Letter of Transmittal

Syed Mahfujul Alam

Lecturer,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report Spring 2020.

Dear Sir,

It is a great pleasure that you have provided me with an opportunity and given your time and effort to help prepare the report on “**Enterprise Risk Management Analysis of Glaxo SmithKline Bangladesh Limited**” based on my internship at Glaxo SmithKline Bangladesh Limited.

I have given my best effort in order to finish the report with the limited and essential data that I had access to and thereby recommended my proposal for the company.

I trust that the report will meet the standard and expectations you desire.

Sincerely yours,

---

Khondaker Yaseer Sadik

16104151

BRAC Business School

BRAC University

Date: April 2020.

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Glaxo SmithKline Bangladesh Limited and Khondaker Yaseer Sadik, the undersigned student at BRAC University; in order to assure avoidance of unapproved disclosure of any confidential data of the organization.

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Glaxo SmithKline Bangladesh Limited

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Khondaker Yaseer Sadik

## **Acknowledgement**

The completion of this report is the final part of my graduation from BRAC University. I am thankful for the support that I received not only for the completion of my report but throughout my undergraduate and the period of my internship. It was my honor to be able to graduate from BRAC University and have the opportunity to do my internship at GlaxoSmithKline Bangladesh Limited.

My internship at GlaxoSmithKline Bangladesh Limited has enabled me to understand how a corporation operates. I would like to give a special appreciation to Mr. Probal Raha, who is the Deputy Company Secretary and Payroll Manager at GSK and was my onsite supervisor. I am thankful to Mr. Abid Khan who is the payroll senior executive at GSK. He has helped me with all necessary information not just to complete this report but to also excel at GSK.

It has been my honor to have Syed Mahfujul Alam, lecturer, Brac Business School, Brac University, to have as my internship supervisor. His humble guidance has enabled me to complete this report with all necessary information. I am extremely thankful for the time and energy he devoted to help me with this report.

## **Abstract**

GlaxoSmithKline Plc. Limited has a purpose to “Improve the quality of human life by enabling people to do more, feel better and live longer.” The company adapts a centralized Risk Management Framework and Corporate Governance practice that are followed by all its subsidiaries. This research paper focuses on how GSK monitors, maintains and mitigates its risks based on the prescribed guidelines. Further, it also states the effectiveness of the company’s Enterprise Risk Management practices. The company focuses heavily on its product quality, financial control and reporting, Anti-bribery & corruption and Third party oversight. GlaxoSmithKline Bangladesh Limited maintains a moderate level of risk by maintain the same standards and procedures that are followed by GlaxoSmithKline Limited internationally. Taking all factors into consideration this paper evaluates GSK should take a more local approach to thrive in Bangladesh’s market and the issues that are related to the closure of the pharmaceutical business unit.

# Table of Contents

1	Letter	of	Transmittal
3	Non-Disclosure		Agreement
4	Acknowledgement		
5	Abstract		
6	Table	of	Contents
7	List	of	Tables
9	List	of	Figures
10	List	of	Acronyms
11	Chapter 1:	Overview	of Internship
			11.1
	Student		information:
			11.2
	Internship		Information:
			11.3
	Internship		Outcomes:
3	Chapter 2:	GlaxoSmithKline	Bangladesh Limited
42.1			Introduction:
42.2		Company	Overview:
62.2.1		Products/Services	and scope:
72.3		Management	Practices:
92.4		Marketing	Practices:
92.5		Financial	Performance:
102.6	Information	Systems and	Operations Management:
142.7	Industries	and	Competitive Analysis:

172.8	Summary	and	Conclusion:
20	<b>Chapter 3- Enterprise Risk Management Analysis of GlaxoSmithKline Bangladesh Limited.</b>		
213.1			Introduction:
213.2	Review	of	Enterprise Risk Management Practice:
213.3			Methodology:
			233.4
Analysis,	Findings	and	Discussions:
233.5			Conclusion:
273.6			Recommendations:
283.7			Limitations:
	<b>28References</b>		
	29		



## **List of Tables**

Table 1: 300 years of GSK at a glance (history)	6
Table 2: Board of Directors	9

## List of Figures

Figure 1: 2017 and 2018 percentage breakdown. Operating Profit	11
Figure 2: Revenue	11
Figure 3: Earnings per Share	12
Figure 4: Market Price per Share	12
Figure 5: Earnings per Share	12
Figure 6: Net Asset per Share	13
Figure 7: Market Share Comparison between 2017 and 2018	13
Figure 8: Key Ratios	14
Figure 9: Organizational Chart of GlaxoSmithKline Bangladesh Limited.	15
Figure 10: Porters Five Forces Analysis	17
Figure 11: SWOT Analysis	20
Figure 12: Key Areas of Risk facing GlaxoSmithKline Bangladesh Limited	25

## List of Acronyms

GSK	GlaxoSmithKline
Plc.	Public Limited Company
Ltd	Limited Company
BOD	Board of Directors
RMCB	Risk Management Compliance Board
CEB	Country Executive Board
CET	Corporate Executive Team
RM	Risk Management
ERM	Enterprise Risk Management
MNC	Multinational Company

# Chapter 1: Overview of Internship

## 1.1 Student information:

Name: Khondaker Yaseer Sadik

ID: 16104151

Program: Bachelor of Business Administration

Two Major: Accounting and Finance

## 1.2 Internship Information:

1.2.1 I have started to pursue my internship program on February 2<sup>nd</sup>, 2020 at GlaxoSmithKline Bangladesh Limited. The duration of my internship program will continue till the 1st of May 2020. I have joined GlaxoSmithKline Bangladesh Limited as an intern in the Secretarial Finance department under which I assist the Payroll division. The company's address is SEC, House-2A, Road-138, Gulshan-1 South Avenue, Bir Uttam Mir Shawkat Sarak, Dhaka 1212, Bangladesh.

1.2.2 My supervisor at GlaxoSmithKline Limited was Mr. Probal Raha, who is the Deputy Company Secretary and Payroll Manager. His contact information are as follows:  
*Phone: +8801711850573, e-mail: [probal.x.raha@gsk.com](mailto:probal.x.raha@gsk.com).*

1.2.3 Since my supervisor has two designations, he has two teams under his command. Therefore, my duty involves assisting both the Payroll team and the Secretarial Finance team. My office hour is from 9.30am to 6.00pm. My job responsibility can be categorized into two parts that is:

(a) **Regular duties:** The Payroll team deals with day-to-day employee expenses, this team also deals with paying employees salaries, bonus, taxes and peppering the final settlement report of an employee who resigns the company. The Secretarial Finance team deals with annual reports, paying dividends, financial statements, contacts with other companies and annual general meetings.

My regular duty involves assisting the payroll team. GlaxoSmithKline Bangladesh Limited uses the German SAP software that is basically an enterprise resource

planning software (ERP). Through this software the company manages its business operations throughout all its departments.

When an employee bears expenses for business purpose or their medical purpose these are uploaded into the SAP system, then their line manager approves the bills and then the hardcopy (receipts, prescriptions etc.) of the bills are sent over to the payroll department. My roll is verifying the legitimacy of these bills and to ensure if they meet the company HR policy guidelines. Once all bills are checked throughout the week, on Wednesday these payments are made through an online payment portal. Upon the completion of the payments I have to file all the bills for future audit purposes and these bills will be stored in an offsite safe warehouse once they have been stored at the office for 3 years.

Another part of my task involves advance payments made to employees for business purposes. This process is known as Advance payment and settlement. Such payment is usually made for business functions, travel and training. This process also follows the SAP where future expense requisitions are made through SAP and then verified by their line manager and the payroll department. Advance settlement has to be done within 15 days of the event, once the event is over the employees sends all the bills to the payroll department for verification and if less money was spent the bill is to include a bank cheque, however if the employee sent more money than the advance given to them it will be returned on the following Wednesday. Once the settlement is done I have to file these for audit purposes.

**(b) Other duties:** I have to assist the Secretarial Finance team with as per the need that arises. Thus far I have helped in arranging board meetings and will be providing my assistance for the upcoming Annual General Meeting that will be held on 22<sup>nd</sup> April at Chittagong. The files and data that the Secretarial Finance department deals with are highly classified as they include the minutes of the board meeting, and Auditors reports, Management list by the auditor and all the price sensitive information. Therefore, my job in this department is mainly to do with categorizing and filing of such vital data and providing my supervisor and directors with these data when asked for.

### 1.3 Internship Outcomes:

- 1.3.1 My role as an intern at GlaxoSmithKline Bangladesh Limited plays a simple yet very significant role in the company as it mostly deals with payment to employees. Ensuring bills are not tampered and manipulated is a vital task as it saves the company a ton of money, which can be used for other business purposes. Filing is a very important part at GlaxoSmithKline Bangladesh Limited and there are files that have been stored since 1949, ensuring such files are categorized, kept safe and are easy to find is important and therefore the company has contracted an offsite warehouse firm at Gazipur to safely keep and preserve these confidential data.
- 1.3.2 Working as an intern at GlaxoSmithKline Bangladesh Limited has helped me understand how FMCG industries work and compete. This also enabled me to learn about the SAP software, which is used in companies throughout the world. This internship has helped me get real-life understandings of how a company truly operates which cannot be learned through any books. The importance of different departments working together to achieve the same goal yet remain independent of one another is a critical thing when it comes to the success of an organization. This internship program is really enabling me to understand the work life environment more and providing me an opportunity to learn something new every day, which is exactly the kind of experience I need to gather for my future jobs.
- 1.3.3 In my opinion I believe interns should be switched in different departments over the course of these 3 months to truly learn how the entire organization works. Since, GlaxoSmithKline Bangladesh Limited is a Multinational company therefore its operation is vast, meaning working only in one department limits the ability to know how the entire company operates. In order to get the best out of an internship program working in different departments via job rotation will enable us to gather more skills and real world experience.

## Chapter 2: GlaxoSmithKline Bangladesh Limited

### 2.1 Introduction:

GlaxoSmithKline is a science-led global healthcare company that is driven with a purpose to help people do more, feel better and live longer. GSK is a UK based company and is one of the biggest research based pharmaceutical company with an adjusted 4.3 billion pounds research and development investment in 2019 alone. GSK currently has 39 new medicines and 15 new vaccines in development in FY 2019. GSK is also invested heavily on finding a vaccine for COVID-19. GSK has three global businesses that engage in intensive R&D and manufacturing of innovative medicines, vaccines and consumer healthcare products.

In case of performance of GSK the company's turnover for 2019 is 33.8 billion pounds with an adjusted operating profit of 9 billion pounds. The company also paid a total of 4 billion pound in dividend only in 2019. In case of Corporate Social Responsibility (CSR) GSK donated 236 million pounds to community healthcare programs.

History of GSK is summarized below:

Year 1715	Plough Court Pharmacy established in London by Silvanus Bevan, later became Allen & Hanburys Ltd.
Year 1830	John K Smith and his brother- in- law open a drugstore in Philadelphia, which would later become Smith, Kline & Company
Year 1848	Thomas Beecham launches the Beecham's Pills Business in England. By the early twentieth century, production was at one million pills per day.
Year 1880	Pharmacists Henry Wellcome and Silas Burroughs established the company Burroughs Wellcome & Company in London in this year.
Year 1883	Horlicks Malted Milk is a product whose production process was patented by the Horlicks brother, which included purifying and drying milk with malt.
Year 1884	Tabloid was registered as a trademark by Burroughs Wellcome & Company to describe its compressed tablets.
Year 1891	Smith, Kline & Company acquires French, Richards and Company.
Year 1894	Welcome Physiological Research Labs established focused on biological experimentation including early forms of vaccines.

Year 1906	'Glaxo' trademark was registered.
Year 1924	Joseph Nathan & Co. launches its first pharmaceutical product called Ostelin.
Year 1936	Wellcome Trust's first chairman Sir Henry Dale wins Nobel Prize in Medicine.
Year 1944	By mid-1944, 80% of the UK's penicillin doses were routed through Glaxo Laboratories Greenford site.
Year 1969	Allen and Hanburys launched Ventolin as a treatment for asthma
Year 1972	Amoxicillin was discovered which became an antibiotic staple.
Year 1981	Zovirax launched for viral herpes infections, designed by Hitchings and Elion
Year 1987	The first approved treatment for AIDS was created by Wellcome called Retrovir
Year 1988	Zantac by Glaxo becomes the world's biggest prescription drug for stomach ulcers.
Year 1989	SmithKline Beecham was formed by the merger of SmithKline Beckman and the Beechman group
Year 1995	Glaxo Wellcome the world's largest pharmaceutical company was formed by the merge of Glaxo and Wellcome plc.
Year 1998	Smithkline Beecham and World Health organization join forces to eliminate lymphatic filariasis by the year 2020.
Year 2000	The merger of Glaxo Wellcome and SmithKline Beecham created GlaxoSmithKline plc.
Year 2004	Clinical Trial Register launched
Year 2009	Stiefel acquired and ViiV Healthcare launched.
Year 2011	Benlysta the first new lupus treatment receives approval which was created by Human Genome Sciences and GSK
Year 2012	Became the official supplier to the London 2012 Olympic and Paralympic Games.
Year 2014	Submits a file to the European Medicines Agency for the World's first malaria candidate vaccine.
Year 2015	Completed a major 3-part transaction with Novartis
Year 2016	Sensodyne their first consumer brand reaches 1 billion pounds in sales
Year 2017	Launches three new products, Shringex, Trelegy Ellipta and Juluca
Year 2018	Announces a new approach to R&D, acquires Tesaro and forms an exclusive collaboration with 23andMe.

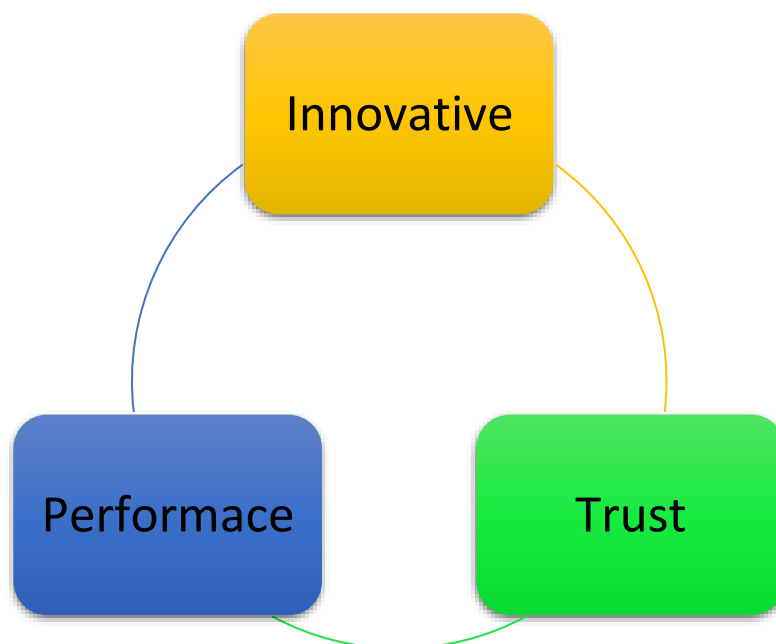
*Table 1: 300 years of GSK at a glance (history)*



## 2.2 Company Overview:

GSK Bangladesh Limited was established in 1949 as Glaxo and is a subsidiary of GSK plc. The company initially started in Chattagram by importing its pharmaceuticals products such as medicines and vaccines and later in 1967 they started manufacturing by opening its own manufacturing plant at Chittagong and the company was named Glaxo Wellcome Bangladesh Limited. Later in December 2000, the company merged with SmithKline Beecham and became GlaxoSmithKline Bangladesh Limited in 2002.

Up till 2018 the company had almost 1000 employees however due to continuing losses the company shut down its pharmaceutical industry/division. Furthermore, Unilever on 3<sup>rd</sup> December 2018 declared to purchase 98.75 lacks shares of GSK Bangladesh Limited. Currently Unilever owns the consumer health line of GSK Bangladesh, meaning the company acquired products brands such as Horlicks, Boost, Maltova and Glaxos D. Due to these incidents GSK Bangladesh limited remaining products that is Sensodyne and Eno are now under Burroughs Wellcome which is a sister concern of GSK.



**NOTE-** *The following analysis is based on GSK Bangladesh Annual report 2018 annual, since the annual report 2019 has not yet been published.*

### 2.2.1 Products/Services and scope:

GlaxoSmithKline Bangladesh Limited operates in the consumer healthcare business and has a range of products. The company offers Standard Horlicks, Mother's Horlicks, Junior Horlicks, Horlicks Growth plus, Sensodyne rapid relief, Sensodyne deep clean, Sensodyne Toothbrush, Glaxose D (different flavors), and Boost.

### 2.2.2 Purpose, Vision, Strategy, Values and Expectations:

**Purpose:** "Improve the quality of human life by enabling people to do more, feel better and live longer."

**Vision:** "To be one of the world's most innovative, best performing and trusted healthcare companies."

**Values:** "Patient/Consumer Focus, Transparency, Respect for People, Integrity"

**Expectations:** "Courage, Accountability, Development, Teamwork"

**Strategy:** "Bring differentiated, high-quality and needed healthcare products to as many people as possible, with our three global businesses, scientific and technical know-how and talented people"

### 2.2.3 Board of Directors:

<b>Name</b>	<b>Designation</b>
Mr. Masud Khan	Chairman
Mr. Prashant Pandey	Managing Director
Mr. Rakesh Thakur	Director
Mr. Zahedur Rahman	Director
Mr. Mohammad Naharul Islam Molla	Director
Mr. Kazi Sanaul Hoq	Non-Executive Director
Mr. Masud Khan	Independent Director
Mr. Mohsin Uddin Ahmed	Independent Director

*Table 2: Board of Directors*

## **2.3 Management Practices:**

Motivated workforce: GSK ensures all its employees are motivated by way of performance appraisal. All employees are given a target (KPI) and are constantly evaluated based on the set target by their respective supervisors. Further, employees at GSK are frequent recipients of performance bonuses. These performance appraisals are evaluated based on tools such as ranking method, BARS, performance test, field review techniques and many more.

Interactive workforce: In GSK every month all the employees' birthdays are celebrated with all the employees, these celebrations include cakes, food and cultural performances such as drama, singing and dancing which the employees of the organization perform. Even more, all these expenses are paid for by the organization therefore keeping employees happy and motivated. Lastly, at the end of each year there is a "All Hands Meet" event where all the employees spend 2-3 days in a hotel/ resort for recreational purposes, for example in 2019 the event was held at Sylhet in Palace The Luxury Resort.

Focus team effort: All employees in GSK are divided into teams and the tasks that are performed are also done on a cross team basis. Engaging work in teams leads to synergy therefore able to generate a higher quality of work. This also helps new employees as a full team guides them therefore training is more effective.

Regular meetings: GSK has regular meetings within employees. Furthermore, in 2018 the company headed 13 board meetings. In the sales force, the sales team in each city/district conducts 3 meetings every month to discuss progress and build strategy.

Training: GSK ensures all its employees undergo regular training programs some of which are held by the company itself while others are hosted by third party organizations. This ensures all employees are up to date with modern practices and technologies. Such training also enhances employees' soft skills and strengthens their future career prospects.

## **2.4 Marketing Practices:**

GSK Bangladesh Limited utilizes a vast array of marketing tools ranging from advertisement to sponsorship. Firstly, the company uses television and newspaper advertisements for its products such as Sensodyne, Horlicks and Glaxose. Secondly, the company engages itself in different activation programs, which is basically an event hosted by GSK where doctors are invited and given insight on their products so that doctors recommend GSK's medicines/products. Thirdly, GSK is also the sponsor of many events such as the recent

“Glaxose-D Dhaka Half Marathon” which took place at Hatirjhil that consisted of a 21.1km half marathon and a 7.5km run. Lastly, the upcoming activation that is coming up is for the Horlicks Sachet Packet. In this event the company seeks to target 60,000 households across 6 divisions focusing on the socio-economic class C, D and E. In this activation the company will sell 18g Horlicks sachet at Ten taka only along with a Two taka Shampoo sachet for free. There are several more initiatives undertaken by GSK such as GSK-CARE Bangladesh Urban HealthCare Project, GSK-CARE Ready Made Garments (RMG) Workers Initiative, GSK-Friendship M-Health Project and GSK-ICDDR, B Health System Strengthening Program.



## **2.5 Financial Performance:**

The year 2018 was a setback for GSK as the company had closed down their pharmaceutical division due to continuing losses. Despite the closure of that plant the company still faced a loss in the year 2018 of BDT713,710 with a revenue of BDT4,816,557 and a profit from operations of BDT1,183,204.

The reason behind such a drastic difference between Total comprehensive income for the year and Profit from Operations is due to the pharmaceutical division. Due to the closure of the business unit almost a 1000 employees had been paid GVR (Gratuity for Voluntary Retirement). The payment of GVR led to an overall loss for the year 2018.

### **2.5.1 Key Financial Indicators:**

In order to get a better understanding of the companies' actual quantitative position and figures a few key indications are given below:

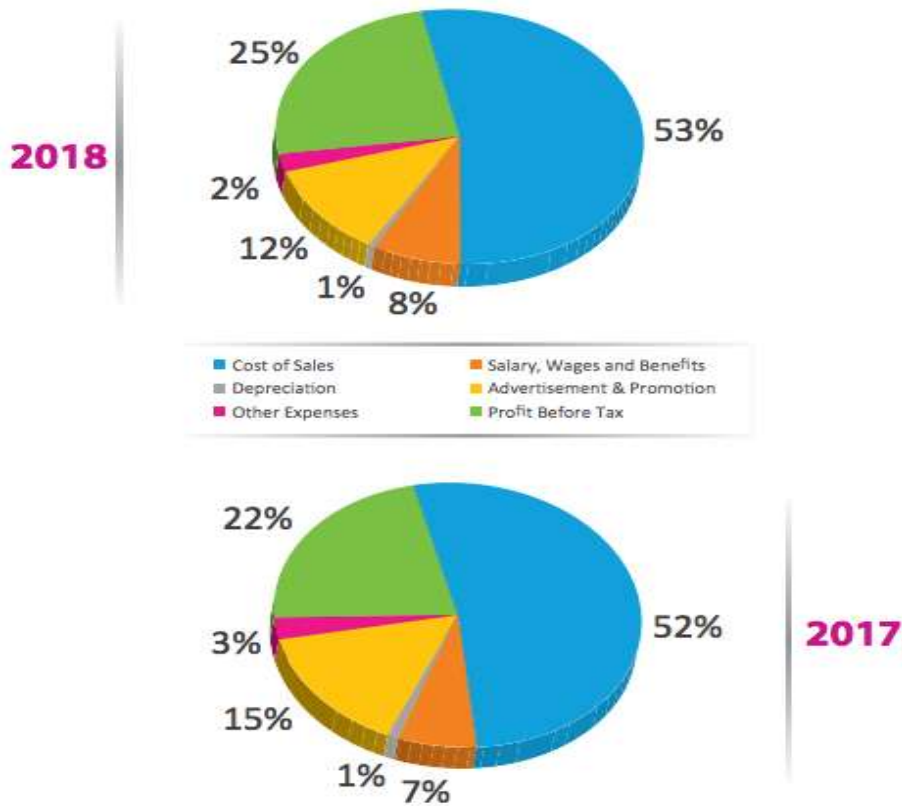


Figure 1: 2017 and 2018 percentage breakdown.



Figure 2: Revenue

### Operating Profit (Taka '000)

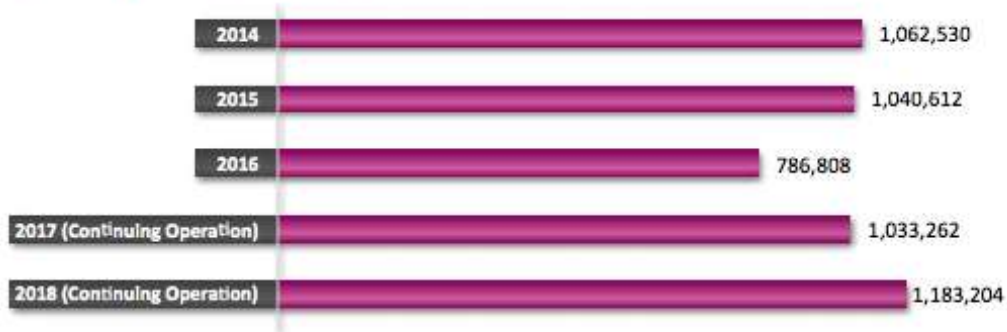


Figure 3: Operating Profit

### Market Price per Share (Taka) on 31st December

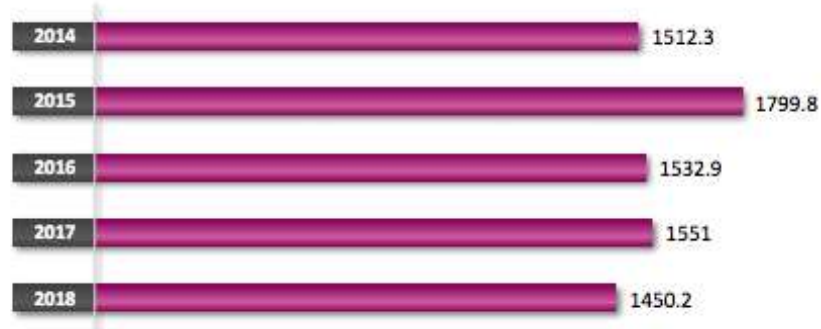


Figure 4: Market Price per Share

### Earnings per Share (EPS) Taka



Figure 5: Earnings per Share

### Net Assets per Share (Taka)

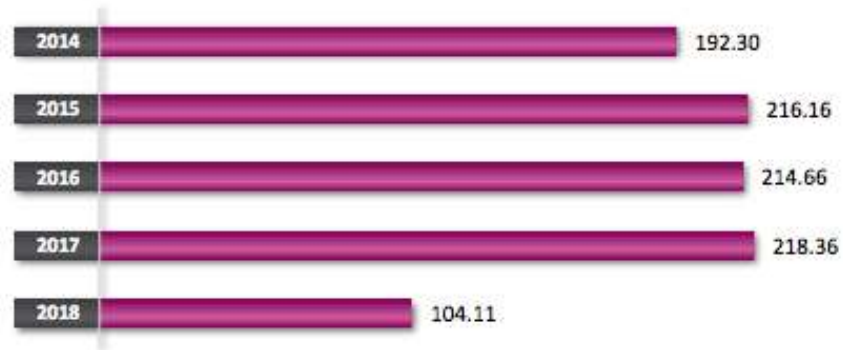


Figure 6: Net Asset per Share

### 2.5.2 Product Category Market Share:

In case of product category of GSK Bangladesh Limited market share percentage seemed to have improved for Health food drink and Oral Health care while it decreased for Glucose powder when being compared to 2017. However, the decrease in market share is very insignificant as shown below:

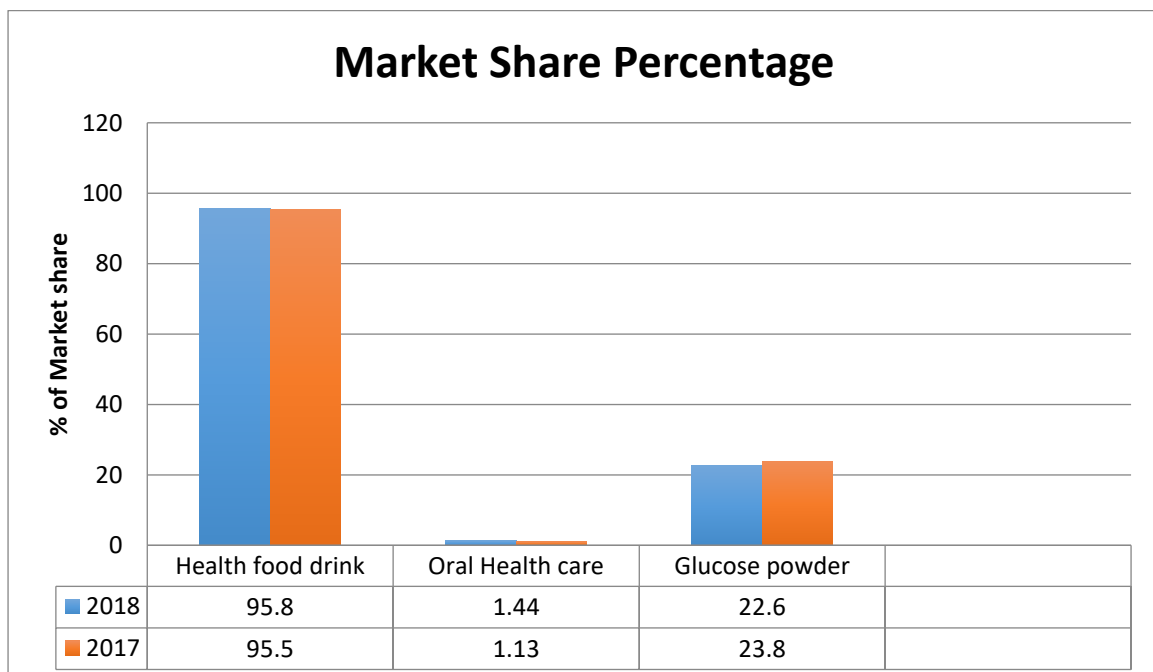


Figure 7: Market Share Comparison between 2017 and 2018

### 2.5.3 Key Ratios past 5 years:



<b>Ratios</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Gross profit ratio - % *	46.70	47.75	38.99	39.33	37.72
Earning per share (EPS)-Taka (Continuing operation) *	115.92	67.88			
Earning per share (EPS)-Taka (Company)	(52.75)	55.56	53.51	68.99	68.63
Price/Earning (P/E) ratio-times		27.92	28.65	26.09	22.04
Price/Equity Ratio-Times	145.02	155.10	153.29	179.98	151.23
Dividend per share (DPS)-Taka	53.00	55.00	50.00	55.00	42.00
Dividend payout-percentage (Company)	-	98.99	93.45	79.72	61.20
Dividend payout-percentage (Continuing Operation)*	45.72	81.03			
Dividend Yield-percentage	3.65	3.53	3.26	3.06	2.78
Net assets value per share-Taka	104.11	218.36	214.66	216.16	192.30
Net operating cash flow per share	44.67	117.75	71.87	84.42	111.14
Return on shareholders equity-%	(50.67)	25.45	24.93	31.92	35.69
Return on Capital employed -%	(67.67)	33.34	30.32	39.22	43.28
Current ratio-times	1.29	1.52	1.67	1.73	1.73

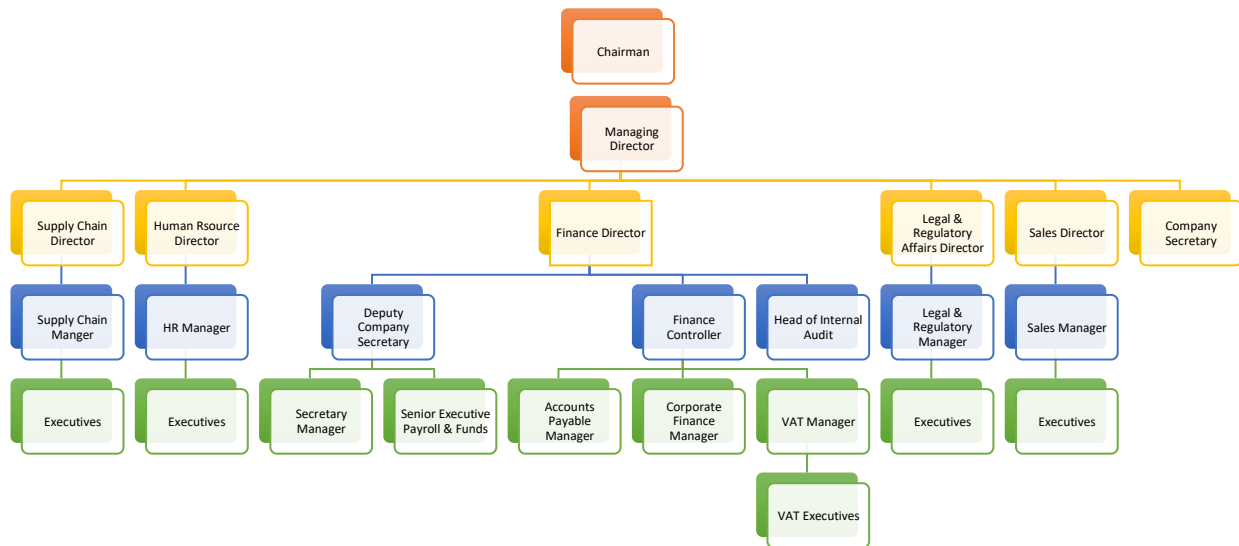
*Figure 8: Key Ratios*

## **2.6 Information Systems and Operations Management:**

### **2.6.1 Information System at GSK:**

As mentioned earlier all GlaxoSmithKline Limited subsidiaries uses German made SAP software. All employees within the organization have their own SAP Identity Number and Password. Through this software the company manages all its General Ledger, accounts, recording any payment of all activities that take place within the organization. All employees are provided with a laptop that is highly secured. The company also has its own intranet service to make communications easier. All the payments made by the company are through “online payments” and the company is also trying to implement online payment for receiving payments from employees.

### **2.6.2 Operations Management and organization chart:**



*Figure 9: Organizational Chart of GlaxoSmithKline Bangladesh Limited.*

GlaxoSmithKline Bangladesh Limited is divided into functional departments as shown in the organizational chart above. Different departments are responsible for performing different responsibilities however they all work together to achieve the companies' goal.

- Sales Department- This department is mainly responsible for generating sales. To do so the company has around 100 territory officers, area managers and area scientific executives. These employees are stationed in different areas of Bangladesh to promote and sell GSK products. They are assigned with a sales target that is KPI on which their performance is monitored. Another major part of the sales department is marketing of products and therefore develops strategies. Sales department also needs to keep Intel on competitors' actions. This department also focuses on promotional activities, sponsorship, activation programs and CSR.
- Human Resource Department- GlaxoSmithKline Bangladesh limited currently has a total of 180 employees currently out of which 155 are permanent employees and 25 are

contractual. This department deals with all sorts of employee related issues such as compensation, salary, work safety, training, vacation, recruitment procedure and dismissal.

- Supply chain department- this department is responsible for logistics and importing and exporting of all products and components. They also maintain delivery networks and ensure products meet quality standards. They deal with all inventories and ensure products are delivered based on demand.
- Finance department- this department carries out all accounting works such as record keeping, pays salary, pays day to day employees expenses, budgeting and forecasting, calculates dividend, internal audit, support statutory audit team, and other monetary works.
- Legal and regulatory affair department and compliance- this department deals with all legal matters and paperwork. For example to launch the ENO product in Bangladesh GSK Legal and regulatory affair department dealt with the government to get acceptance. Further, this department monitors all departments are within compliance and the code of conduct. They ensure there are no unethical behavior within the company such as lobbying and has anti-bribery and corruption policies. Lastly, ensures the quality and effectiveness of the corporate Risk Management Framework.

## 2.7 Industries and Competitive Analysis:

### 2.7.1 Porters Five Forces Analysis:

To understand the industry a company operates in there are several methods that can be used such as PESTLE factors (Political, Environmental, Social, Technological, Legal and Economy) and Porters five forces analysis which includes factors such as bargaining power of buyers, bargaining power of suppliers, industry rivalry, threat of substitute products and threat of new entrants. When taking these 5 factors into consideration it gives an overall understanding of how the industry is for GSK Bangladesh Limited.



*Figure 10: Porters Five Forces Analysis*

**Competitive Rivalry-** Since GSK Bangladesh has a wide variety of products, the company has a large number of competitors. For example, in case of Sensodyne there are large toothpaste brands such as Pepsodent, Closeup and Colgate who are direct competitors. Another competitor for Horlicks and Maltova is Nestle with their own brand Milo and other brands such as Bournvita.

**Bargaining Power of Suppliers-** GSK's product Sensodyne is 100% imported, the company only responsible for distribution in Bangladesh therefore for this brand the bargaining power of suppliers is low. This is also the case for its other products such as Horlicks, Maltova, Boost and Glaxose-D. Since these products are being important the company does not have to rely heavily on local suppliers for any component.

**Bargaining Power of Buyers-** The bargaining power of buyers is an important factor as there are many substitute products for GSK's entire product category. Meaning, consumers are able to shift to another brand, as they are readily available in all shops. GSK having a high bargaining power of suppliers entails their products are highly elastic and therefore cannot charge a high price to its customers in order to remain competitive.

**Threat of Substitutes-** When taking substitute into consideration the threat is very high as Bangladesh has a vast variety of drinks where many are from local companies such as PRAN. When considering GSK's products such as Glaxose-D there are many energy drinks in the market, even if energy drinks are not being considered there are many other cold beverages to choose from such as Coca Cola and Pepsi. GSK's Sensodyne brand already faces high competition as mentioned earlier.

**Threat of New Entrants-** As GSK operates in a highly capital-intensive industry their barriers to entry in this industry is particularly high. This also entails that the sunk cost of this industry is also very high. Further, since there are big competitors in this market such as Nestle consumers' brand loyalty is towards well-established brands both in case of health food drinks and oral health care. Therefore the threat of new entrants is also low in this industry.

This, the overall industry competitiveness for both oral health products and health food drinks are very high among existing players in the market. Therefore, these companies focus on their

Unique Selling Point (USP) and Distinctive capabilities to compete and thrive in this market rather than having a price war.

### 2.7.2 SWOT Analysis:

Conducting a SWOT analysis on GSK Bangladesh will show us the company’s overall intern strengths and weakness as well as its external threats and opportunities. This particular analysis will also enable us to understand how the company can utilize its strengths to achieve future opportunities and suppress the potential threats.

<p style="text-align: center;"><u>Strength</u></p> <ul style="list-style-type: none"> <li>● Sensodyne being the world top brand.</li> <li>● High market share of Health Food Drink product category.</li> <li>● High brand loyalty.</li> <li>● Strong company goodwill.</li> <li>● Heavy CSR activities</li> </ul>	<p style="text-align: center;"><u>Weakness</u></p> <ul style="list-style-type: none"> <li>● Closure of pharmaceuticals business unit.</li> <li>● Range of products offered in Bangladesh is low compared to competitors.</li> <li>● Since the company imports all its products and components it is unable to take advantage of locally sourced cheaper methods.</li> </ul>
<p style="text-align: center;"><u>Opportunity</u></p> <ul style="list-style-type: none"> <li>● Opportunities to merger/takeover other brands like they did in the past.</li> <li>● Introduction of better technologies enabling them to manufacture in</li> </ul>	<p style="text-align: center;"><u>Threat</u></p> <ul style="list-style-type: none"> <li>● A local company knows the market better and how the country works therefore these local companies are able to serve its market better. This is true for GSK pharmaceuticals division, which was unable to compete with local</li> </ul>

<p>Bangladesh at a lower cost rather than importing.</p> <ul style="list-style-type: none"> <li>● Opportunity to introduce a new variety of products/brands.</li> </ul>	<p>companies such as Square and Beximco despite being an MNC. Therefore, in the future such threats will increase for GSK as Bangladesh advances in technology.</p> <ul style="list-style-type: none"> <li>● Economic downturn/ recession</li> <li>● Government rules and regulations such as protectionism methods to help grow local companies</li> </ul>
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*Figure 11: SWOT Analysis*

## **2.8 Summary and Conclusion:**

GlaxoSmithKline Bangladesh Limited has some of the strongest Health Food Drink brands in the world alongside Dentists number one choice of toothpaste Sensodyne. GSK is a company that focuses heavily on Research and Development and innovation. The company also prides itself on its highly effective CSR activities. GSK's pharmaceuticals business unit has been closed off only in Bangladesh in 2018 due to continuing losses. Doing so opens up a lot of opportunities for GSK to fully focus on their Health Food Drink brands. GSK's overall management team is highly effective and efficient and all employees have high morals and are motivated to bring positive change. Lastly, SWOT analysis and Porters Five Forces analysis shows that the company does have a lot to offer in a country such as Bangladesh and introducing the 18g Horlicks Sachet Packet is a step in the right direction as Bangladesh for the most part is still underdeveloped.

## **Chapter 3- Enterprise Risk Management Analysis of GlaxoSmithKline Bangladesh Limited.**

### **3.1 Introduction:**

The prime focus of this paper is towards Enterprise Risk Management at GlaxoSmithKline Bangladesh Limited. The purpose of this analysis is to show how the company is following the Risk Management Framework based on several research studies. Issues such as corporate governance practices and other qualitative matters will be discussed.

A research paper on “Enterprise Risk Management: Theory and Practice” by Brian W. Nocco, states that there are two methods of handling risk. Firstly, the company can manage risk in a decentralized manner where each business unit and department has their own set of guidelines and practices to monitor and maintain risk. On the other hand, the second way a company can manage risk is through a centralized manner by embedding company values on all employees. This method is known as Enterprise Risk Management (ERM).

GlaxoSmithKline Bangladesh Limited uses the second approach that is Enterprise Risk Management. These practices are standardized through all of GSK’s global subsidiaries. Meaning they adopt the same formula globally thereby increasing their long run competitive advantage and enhancing stakeholders values.

### **3.2 Review of Enterprise Risk Management Practice:**

**Enterprise Risk Management-** By implementing ERM a company is able to manage future uncertainty. Having a well-structured plan increases the likelihood of preventing or tackling future adverse outcomes. A research paper by Robert S. Kaplan and Anette Mikes “Managing Risks: A New Framework” states that to implement a rigid ERM



framework a company needs to understand the types of risk it faces. Robert S. Kaplan and Anette Mikes state that companies can divide these types of risk into three categories.

1. **Preventable Risk-** These are risks that arise within the organization. Such risks can be overcome or avoided by a proper control structure. The paper by Robert S. Kaplan and Anette Mikes states these are risks such as arise within the organization by its own employees. For example unauthorized activities that are not within company code of conduct, illegal activities such as corruption and bribery, unethical activities, and something that hinders the regular process of business activities.
2. **Strategy Risk-** In most cases all returns have risk associated with them, higher the return the greater the risk is likely to be. In case of strategy risk it is not internally generated, such risk is knowingly taken by the management to generate higher returns. When a company develops a business strategy they take additional risk and make high returns. For example taking on a new project, merger, takeover or a new product launch. It is vital for a company to manage the risk associated with the strategy and simply a centralized rule based model according to Robert S. Kaplan and Anette Mikes cannot do it. The company has to deploy an individually catered risk management system that will reduce the likelihood of the adverse outcome thereby ensuring high return and success of the strategy.
3. **External Risk-** Lastly, there are risks that are present which are outside the control of the organization. For example, political turmoil, natural disaster, war, trade war or more recently COVID-19. Since there are unknown future outcomes the company need to be flexible and be able adapt to changing environment rapidly by having contingency plans.

### **3.3 Methodology:**

This is a content-based report where all data gathered were from secondary means. The sources of information to generate this report are from the company's Annual Reports, company website and several research studies. All these materials were studied and analyzed systematically to write this report. To make objective inferences of GSK's risk management framework a comparison was made with different research studies and enterprise risk management. Moreover, both narrative and quantitative descriptions were made.

The goal behind this report is to show how GlaxoSmithKline Bangladesh Limited manages its risk to provide superior values to its consumers and its employees.

#### **3.4.2 Analysis, Findings and Discussions:**

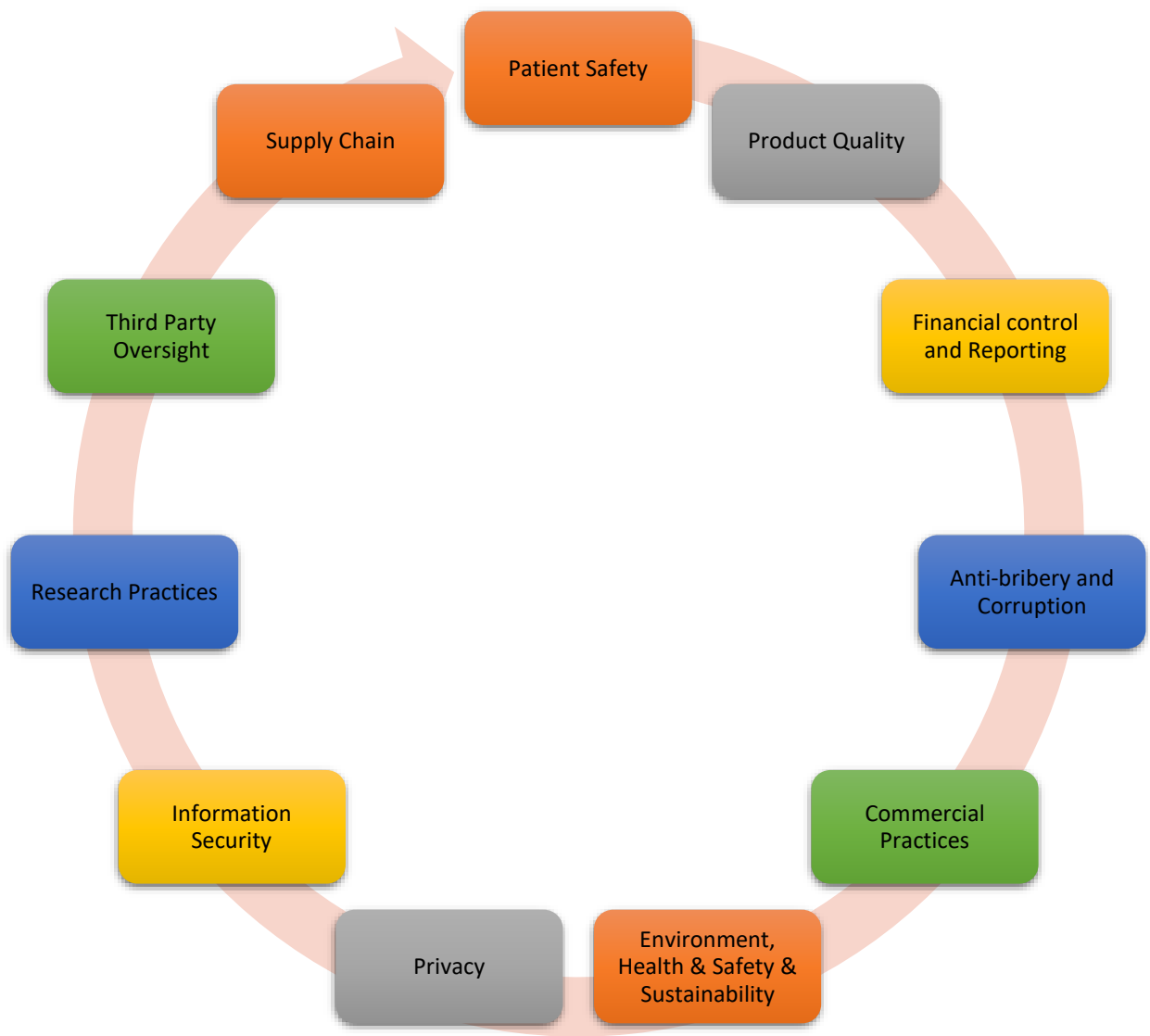
##### **3.4.1 Findings of GSK's Enterprise Risk Management Practice:**

To mitigate risk the company conducts several board meetings throughout the year where the Corporate Executive Team (CET) shortlists the most significant risk facing the organization. The CET ensures that the company follows all compliance and abides strictly by the compliance code.

During my internship period at GSK Bangladesh Limited I observed how the company greatly focuses on several key factors:

- **Product Quality-** All of GSK's products are fully imported meaning; the company uses no local components. This leads to overall higher costs for the company however it ensures the top most quality for its consumers. Evermore, the company also directly imports the packaging for its products and emphasizes on effective timely distributing.

- **Third party oversight & Financial planning and controlling-** As per statutory requirement the company appoints an external auditor “ Hoda Vasi Chowdhury & CO Chartered Accountants”. Further, the company conducts regular quarterly internal audits. An external auditor also monitors these internal audits. Further, the company also stores all hard copies of all bills and invoices for at least 10 years so that in times of financial discrepancies the company can refer back to such data.
- **Anti-bribery & corruption-** GSK globally has a set Anti-bribery and Corruption principle, standards and legislations (GSK ABAC Program). The company strictly monitors all employees and has a zero tolerance policy on such acts. For example, the product ENO was being sold in Bangladesh for many years by local Pharmaceutical and departmental stores who imported the products. However, as per Bangladesh law ENO was not approved therefore GSK was not able to sell it despite ENO being their brand. GSK spent two years in order to get the license to sell ENO in Bangladesh despite the fact that the product was already available in the market. Therefore, even though GSK could sell its products through corruption the company remained true to its standards and policies.



*Figure 12: Key Areas of Risk facing GlaxoSmithKline Bangladesh Limited*

### 3.4.1.1 GSK's Enterprise Risk Management:

GlaxoSmithKline plc. Limited adapts Enterprise Risk Management framework. GSK Bangladesh Limited has used a centralized ERM framework to overcome Preventable risk, Strategy risk and External risk.



*Figure 13: Risk Management*

GSK Bangladesh Limited maintains a moderate level of risk that complies with “UK Corporate Governance Code”. The company ensures product quality, safety and sustainability are fundamental to its business model. For example the company imports all its components and products to ensure products are of high quality even though they can source the components locally at a cheaper rate. To safeguard the company from risks GSK also has a Country Executive Board (CEB) and Risk Management and Compliance Board (RMCB). Even more, the company has regular internal Audits alongside Independent Assurance provided by an external Audit Committee. Lastly, the Board of Directors Discharge their risk management and corporate governance practices to the Audit and Risk Committee (ARC) for verification.



*Figure 14: Governance Structure for Risk Management.*

### **3.5 Conclusion:**

The purpose of this study is to analyze how effectively and to what extent GlaxoSmithKline Bangladesh Limited is following its international standardized risk management guideline as prescribed by its parent company. As the findings shows there are sufficient external and internal monitoring bodies to ensure compliance. The company maintains its international guidelines throughout all of its business activities ranging from supply chain to internal operations. The codes of conduct followed by all employees are standard for all of its subsidiaries. External auditors ensure both minority and majority stakeholders' interests are at the heart of GSK therefore creating superior value for all.

### **3.6 Recommendations:**

Currently there are many Multinational companies that are operating in Bangladesh. Several local companies are also thriving; therefore GSK should also adopt something from their playbook to become more competitive. Bangladesh as a country despite being high in corruption is thriving and over time as the country develops GSK should implement manufacturing locally to remain competitive. Lobbying with the government today is necessary to open a manufacturing plant to ensure a sustainable future. Although GSK maintains operation through its ABAC principles and standards it is vital the company thinks locally as UK standard business practices are not fitting in Bangladesh's business environment. Further, many research studies also show that one Risk Management Framework does not fit all. Therefore, the company should to some extent alter its risk management strategy to fit Bangladesh's needs. This can be said because even though GSK is a MNC with a strong brand value it was unable to compete effectively in the pharmaceuticals industry meaning they were not able to evaluate the risk and tackle them effectively. Therefore, GSK should take a more local approach to truly capture the Bangladesh market.

### **3.7 Limitations:**

As mentioned earlier in 2018 Unilever acquired the "Health Food Drink" brand category of GlaxoSmithKline plc Limited. Therefore, Unilever now owns "Horlicks, Boost, Maltova and Glaxose-D" brands. GSK's two other brands "ENO and Sensodyne" are now owned by another subsidiary of GlaxoSmithKline in Bangladesh by Burroughs Wellcome. The closure of the Pharmaceuticals unit means that GlaxoSmithKline Bangladesh Limited name will be changed to Unilever Consumer Health Limited.

Due to such transition of ownership GlaxoSmithKline Bangladesh Limited is not keen on providing any data/information that is outside the annual report. Therefore, this report is solely

based on information disclosed on the Annual Report. Furthermore, as I stated my internship on 2<sup>nd</sup> February 2020, I was only able to work at GSK for one and a half months (02-02-2020 to 14-03-2020) to prepare this report due to the COVID-19 pandemic. Therefore there was a time constraint to generate sufficient data.

Lastly, due to such incidents this report is generated based on past information (2018's Annual Report). The Annual Report for 2019 will be available for public use from mid-April 2020.

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