

GlaxoSmithKline faces criminal investigation for allegations of bribery...are large enterprises untouchable?

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In an era where large companies control the majority of the different markets, the potential for serious crimes within such organisations are an unmeasured quantity. When a multi-billion pound company is guilty of wrongdoing, it is often on a massive level. So are the punishments they receive working as a deterrent?

A recent example

In 2014, GlaxoSmithKline, the UK's largest pharmaceutical company, has come under investigation by the Serious Fraud Office regarding its sales practice in China.

This stems from officials being arrested in China for allegedly bribing hospital officials and doctors. The case has now been taken up by the SFO as a result of a UK act which is in place to dissuade such crimes. This legislation, the Bribery Act 2010, allows UK companies to be prosecuted for bribing foreign officials. It also gives the UK government the power to prosecute for "Failure of commercial organisations to prevent bribery."

Do these big companies recover?

Government efforts to monitor and prosecute wrongful operations in multi-national corporations are often difficult to put into practice. This is because the amount of money each company earns is enormous. Large fines don't work as a strong deterrent and a prison sentence can only punish individuals, who are replaceable. Another allegation of malpractice abroad for GSK occurred in 2000/2001 for which they were eventually fined \$3bn in 2012 – because of the aggressive manner in which they pushed an anti-depressant drug in the US market. Their tactics included publishing in a misleading medical journal and bribing doctors with meals and spa days. They received a penalty of \$1bn in criminal fines and \$2bn in civil fines. Yet, GSK remains a multi-billion pound institution and are being investigated once again. Did the previous punishment send a strong enough message?

Fear of repercussions

It must be time to search for alternative punishment for corporate misdeeds, especially when a financial disincentive does not seem to work. One suggestion is to completely ban companies from trading in a designated market place. If GSK had known they faced the threat of being banned from the US in 2012, they may have been more aware of the tactics being employed by their staff.

However, large corporations often provide jobs for many across the country. They pay higher rates of tax too. So if you exclude a company of such a size from your market then you are effectively removing their input into your economy.

Conclusion

Economies are held together by these companies and often have free rein because governments do not want to lose their money. If they threaten to change their headquarters to another country, those in power sit up and listen. If they protest against proposed tax increases, prime ministers change their mind. When they get an unprecedented fine, they just make more money.

Large companies hold a lot of financial power. Whilst, this shouldn't make them untouchable, clearly it does. It is of paramount importance this philosophy doesn't spread to smaller organisations.