



## HOW CAN PHARMA BE SUSTAINABLE AND MAKE MONEY?

DEVELOPING NEW DRUGS FOR DISEASES LIKE EBOLA AND MALARIA IS EXPENSIVE AND THE RETURN ON INVESTMENT IS LOW FOR PHARMACEUTICAL COMPANIES. IS THERE A CURE?

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The pharmaceutical industry currently faces dilemmas. It is under pressure to review its business models in light of current challenges while becoming more sustainable and addressing diseases affecting the developing world and the poor. However, will doing the latter potentially reduce its profits in an increasingly harsh commercial environment where customers are becoming more demanding than ever?

A number of challenges have converged to make it more difficult for big pharma to make a return on investment while increasing its sustainability. An aging population, soaring healthcare costs, trade liberalisation, less scientific output using the same processes, and more regulation are a few. Increases in chronic diseases, and resolving challenging diseases like malaria, bird flu and Ebola have also contributed.

### **Predicament**

Questions being asked are: What proportion of research and development should be invested in prevalent developing world diseases such as malaria and other tropical diseases? What is the industry's responsibility in providing access to healthcare to the poor in developing and developed countries? Is it ethical to withhold treatment from poorer sectors of society because of intellectual property issues? What can be done so more people can benefit from innovation?

The spread of HIV-Aids in the 1980s and 1990s helped highlight the urgency of these issues and the current outbreak of Ebola is bringing them to the forefront once again. All need immediate attention and there is huge external pressure for solutions from the public, but they also present a valid threat to the pharmaceutical companies' traditional business model.

Research-based pharmaceutical companies currently focus much of their research and development on drugs to combat "first world diseases" and challenges, such as cardiovascular problems, cancer, central nervous system disorders, or on lifestyle drugs, while "killer" diseases such as malaria remain neglected. Users of these "first world" drugs are more amenable to consumer marketing which makes patients demand the products, therefore these drugs are more lucrative.

However, if decision-making processes in research and development are purely based on the financials and existing know-how, societal needs and sustainability will continue to be given a lower priority. Philanthropic donations are one quick fix but are not ideal since they are not always tightly linked to business strategy. Numerous public health partnerships with companies still rely on donations or philanthropic activities, which are especially vulnerable if for whatever reason companies have to cut costs. This indicates a lack of "maturity" of the "access to medicine" issue on the strategic agendas of many pharmaceutical companies.

### **Initiatives**

Granted, from a business perspective, the limits to the return on investment in addressing some of the social equity and developing country challenges around medicines mean that the industry alone cannot be expected to finance the level of funding required to research and develop new drugs. So the most progressive companies are increasingly engaging in public-private partnerships and focusing research and development on the needs of the developing world with a strategic business rationale of addressing the needs of future potential markets.

Novartis has created a new business model involving partnerships to deliver medicines to rural India through its Arogya Parivar program, a novel, for-profit social initiative reaching poverty-stricken residents. Another partnership initiative, the "Roll Back Malaria" partnership, has 500 partners in the private, public and non-profit sectors. Roche is a founding member of the Accelerating Access Initiative, which aims to provide sustainable access to HIV care and treatment in resource limited countries. Roche also works in partnership with Novo Nordisk and the World Diabetes Foundation to help children with type-1 diabetes in developing countries through therapy supplies, education and training healthcare professionals.

Meanwhile, average pharmaceutical companies view sustainability from short-term and cost-driven perspectives, where sustainability, social issues and philanthropy are considered causes for

reduced revenues. However, by investing in the health of the populations of developing and developed countries, they are also investing in the long-term health of their markets.

Companies such as Roche, Novartis and Novo Nordisk are more readily acknowledging the demand by customers, patients and even financial markets, for the delivery of “shared value”; creating social benefit so that markets are more robust in the long run. The public-private partnerships cited above echo a larger trend of experimentation among pharmaceutical, medical device and nutrition companies to address unmet health needs globally – sharing value – while at the same time finding business opportunities in saving and extending lives.

## **Remedies**

Big pharma faces several sustainability challenges. It needs a more comprehensive approach to corporate sustainability leadership and management. More progress on critical sustainability issues through increased public-private partnerships would stimulate group pressure and competition. A more holistic, revenue generating, opportunity-driven perspective is also needed. A general need to stimulate innovation and diversify the workforce in the industry will also pay dividends for resolving sustainability challenges.

And crucially, since measurement is a key obstacle to investment in shared value, the tying of economic results with social outcomes is essential. This will accelerate the pace, reduce the costs and prove the value of such investments while stimulating innovation for the good of people and the planet.

What could your company do to contribute to social good while strengthening its potential markets?

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