



Social Impact Consultants

Discovering better ways  
to solve social problems

## Competing by Saving Lives: Stories of Implementation

A conversation with:

- **Kyle Peterson**, Managing Director, *FSG*
- **Duncan Learmouth**, Senior Vice-President, Developing Countries & Market Access, *GSK*
- **Ole Kjerkegaard Nielsen**, Programme Director, Corporate Sustainability, *Novo Nordisk*
- **Kathy Pickus**, Vice President of Global Citizenship and Policy, *Abbott*
- **Karl Hofmann**, President and CEO, *Population Services International*

*June 13, 2012*

## About FSG, Shared Value and Global Health

- **Nonprofit consulting and research firm** founded in 2000 by Prof. Michael Porter and Mark Kramer
- Staff of 100 in Boston, Geneva, Mumbai, San Francisco, Seattle, and Washington DC
- Success in **strategic planning and evaluation** with over **400 foundations, corporations, and nonprofits**
- **Thought leader**
  - Articles published in *Harvard Business Review*, *Stanford Social Innovation Review*, and the *Guardian*, including ***Creating Shared Value*** (HBR 2011)
  - ***Competing by Saving Lives*** launched in March 2012, examines in depth how pharmaceutical and medical device companies create shared value in global health



***FSG is driven by the same passion that drives our clients: a passion for greater social impact***

# Today's Agenda

## Welcome & Summary of Findings

*Kyle Peterson, FSG*

## GSK: Developing Countries & Market Access

*Duncan Learmouth, SVP Developing Countries & Market Access*

## Novo Nordisk: Changing Diabetes in China

*Ole Kjerkegaard Nielsen, Programme Director, Corporate Sustainability*

## Abbott: Working with CARE Enterprises

*Kathy Pickus, Vice President of Global Citizenship and Policy*

## PSI: New Forms of Partnership – an NGO Perspective

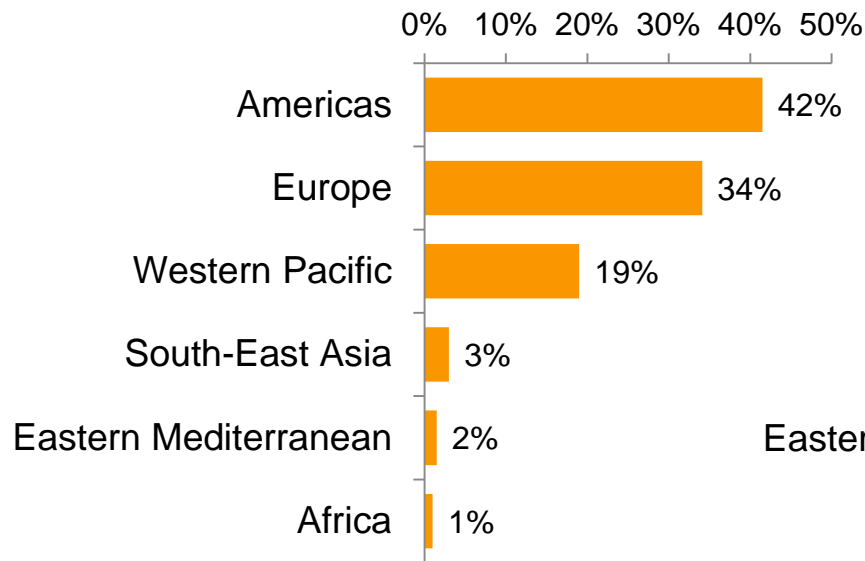
*Karl Hofmann, President & CEO*

## Audience Questions & Answers

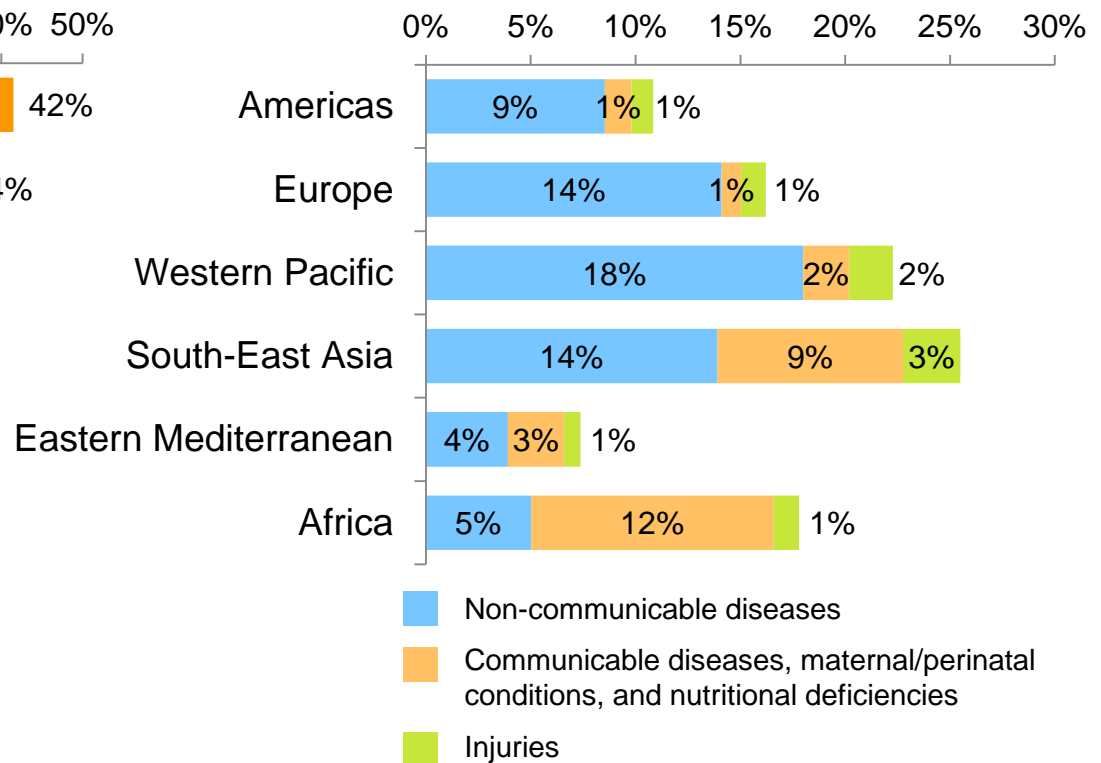
## Wrap-up

## Until Recently, Pharmaceutical & Medical Device Companies Have Focused Disproportionately on High-Income Countries

Distribution of Total Pharmaceutical Expenditure



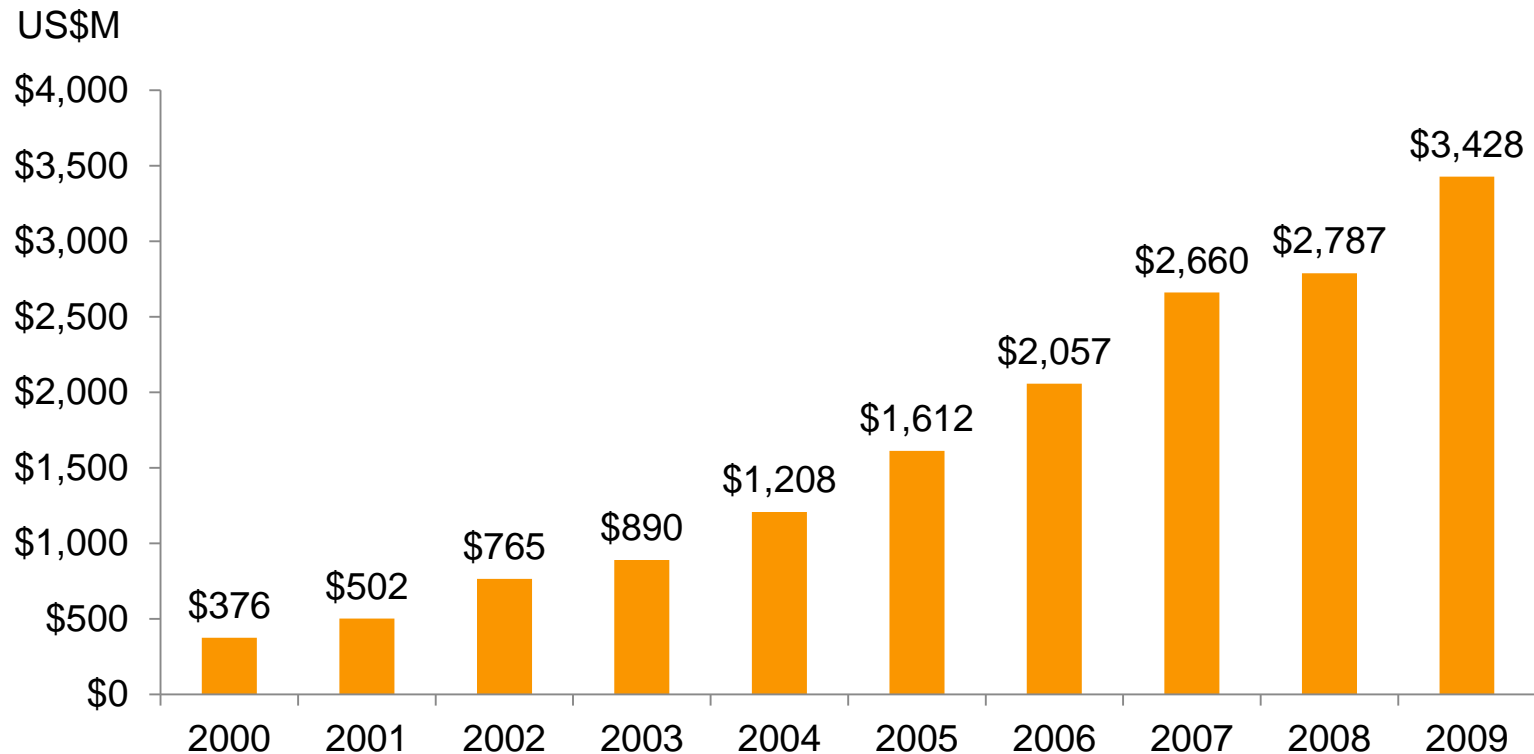
Percentage of Deaths by Cause and Region



***While this has created shared value in these markets, too often health needs low- and middle-income countries have been left unaddressed***

## The Pharmaceutical Industry Has Responded to this Imbalance with Corporate Social Responsibility and Philanthropy

Value Estimate of Pharmaceutical Industry's Corporate Social Responsibility Initiatives in Developing Countries (Donations and Capacity Building)

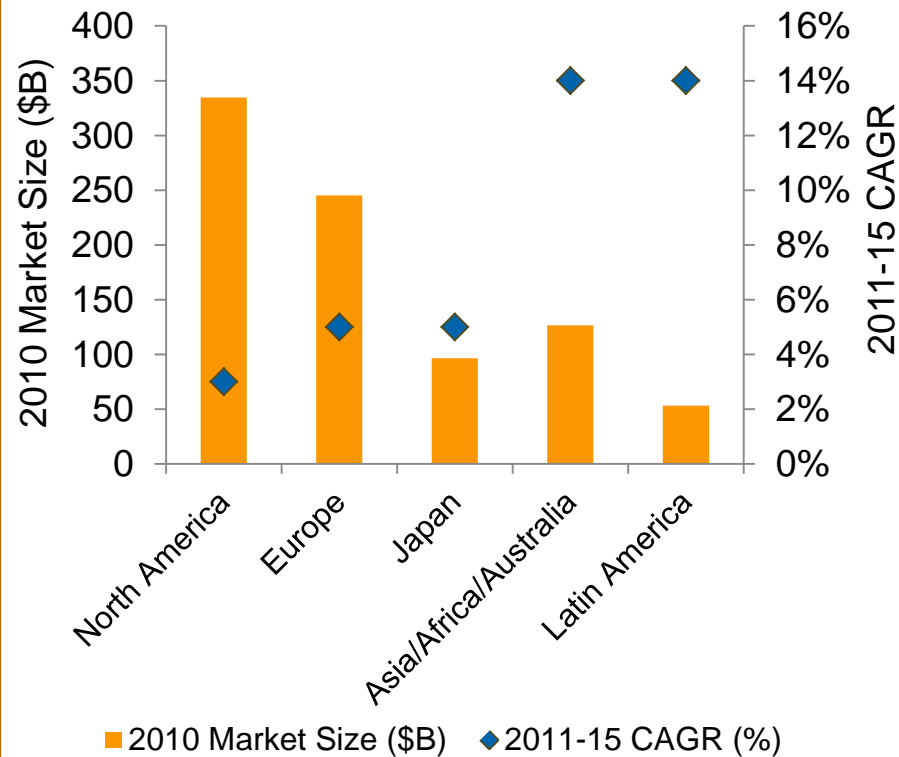


***These programs redistribute profits to the underserved in low- and middle-income countries***

# In the Next Decades, Low- & Middle-Income Countries Will Be the Fastest Growing Markets for Pharmaceuticals and Medical Devices

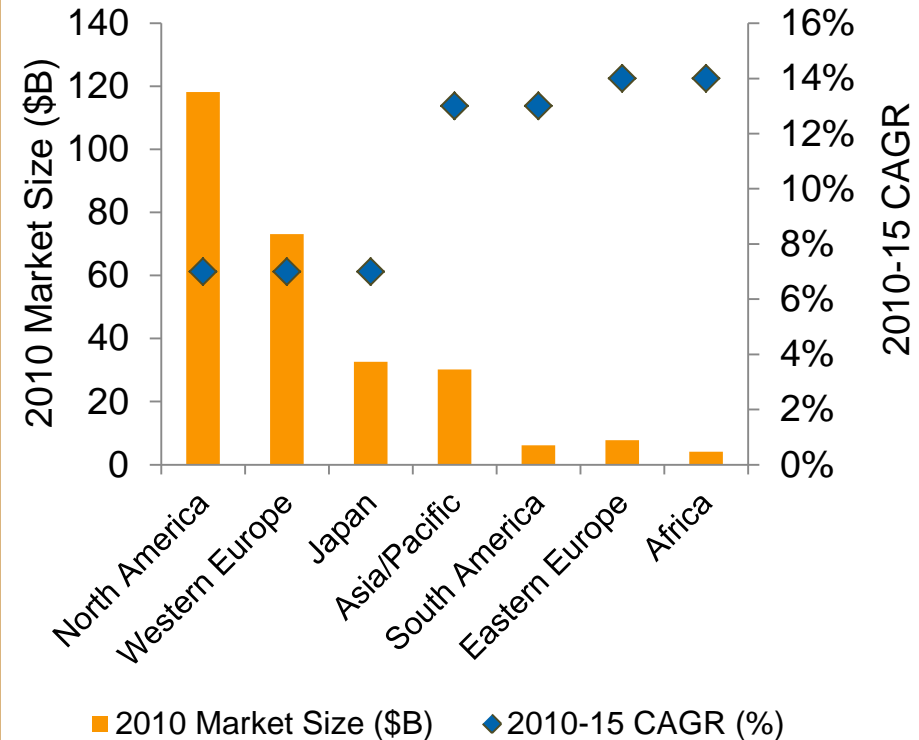
## Global Pharmaceutical Market

Value & Growth Rate by Region



## Global Medical Device Market

Value & Growth Rate by Region



***Shared value offers firms an opportunity to grow business and transform health outcomes for underserved populations in these countries***

# Pharmaceutical and Medical Device Companies Can Create Shared Value in Global Health on Three, Mutually Reinforcing Levels

## Enabling Local Cluster Development

- Education & behavior change campaigns
- Health system strengthening
- Efforts to improve the policy / regulatory environment



## Reconceiving Products & Markets

- Development of new products
- Adaptation of existing products
- Tailored portfolios

## Redefining Productivity in Value Chains

- Collaborative and localized R&D
- Efficient, local supply chains & manufacturing
- Innovative sales, marketing & distribution

## The Paper Identifies Five Principles of Shared Value Implementation

- 1 Focused and determined **leadership** at the CEO and country levels
- 2 A culture of innovation and learning reflected in **structures and incentives**
- 3 New approaches to **measurement** that track the link between business value and patient lives improved
- 4 New **skills** in identifying and acting on unmet health needs
- 5 New **partnerships** for shared value insights and implementation

*Today's discussion will focus on our panelists' experiences with applying these principles to create shared value in global health*

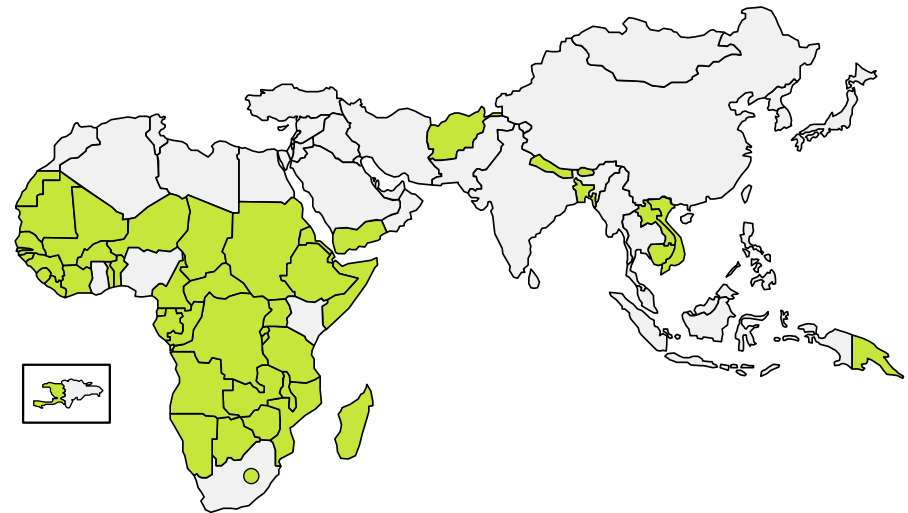


# GSK Has Created the Developing Countries & Market Access Unit, which Focuses Exclusively on 50 Least Developed Countries

## Situation

- Large, urgent challenge:
  - **800M** people in 50 countries
  - **24%** of global health burden
- Very constrained capacity
  - 50% of people live on **<\$1 / day**
  - **3%** of global health workforce
  - **1%** of global budget
- Long-term opportunity for GSK
  - Health spending growing **faster than GDP**
  - **Early movers** will build brand recognition advantage

## 50 Least Developed Countries



***DCMA's goal is to increase the volume of medicines sold in these countries five fold over the next five years***

# Pursuing These Goals Demands a New Way of Doing Business

## Affordable Products

- Patented medicines & vaccines capped at **25% of UK price**
- Smaller **pack sizes** to reduce unit purchase cost for patients

## Realigned Incentives

- **Volume-based sales incentives** focusing on new customers
- **Longer time horizon** to achieve a return on investment

## Infrastructure Investment

- 20% of profits reinvested in **healthcare infrastructure** in country (e.g., clinics, etc.)

## New Structure:

- Separate business unit reporting into Emerging Markets
- Dual focus: CR and long-term growth
- 640 employees
- P&L responsibility but modified return expectations

## DCMA's Strategy Is Built around Four Key Pillars of the Business

- 1 Vaccines
- 2 Registration/Portfolio
- 3 Healthcare Infrastructure
- 4 People

# Novo Nordisk Is Creating Shared Value around Diabetes in China through Market Expansion and Cluster Development

## Key Challenges

- **92M** diabetics – growing due to aging population
- **70%** undiagnosed
- Only **1 in 10** of diagnosed patients successfully manage their condition
- Low levels of **physician awareness / training** present a key challenge

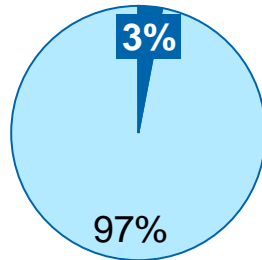


# Novo Chose to Grow into Underserved Segments by Working with the Health System to Improve Diagnosis & Disease Management

## How to Grow in China?

### Zero-Sum Game

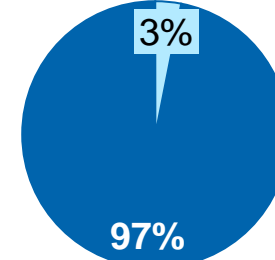
Compete for share of 3% of population currently being diagnosed and treated



**OR**

### Grow the Market

Expand access to reach underserved 97% of people with diabetes in China



## Where to Start?

- Hospitals in **45 tier 2 & 3 cities**
- Total population **230M**
- Focus on improving **diagnosis & disease management**

***Getting patients in control of diabetes in China could have huge societal value through life-years saved, and through avoided complications***

# Understanding Shared Value Drivers, Segmenting the Market and Measuring Progress Have Been Critical

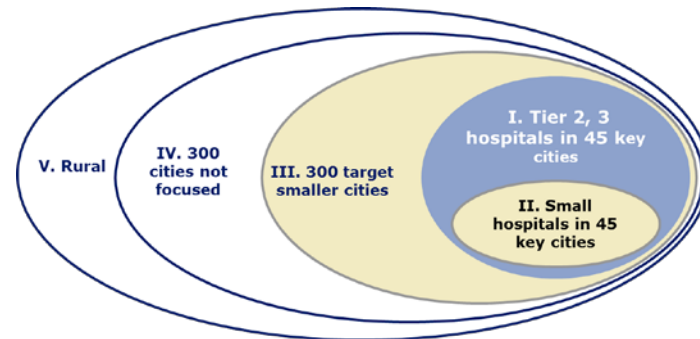
1

Understand the link between health impact and business success



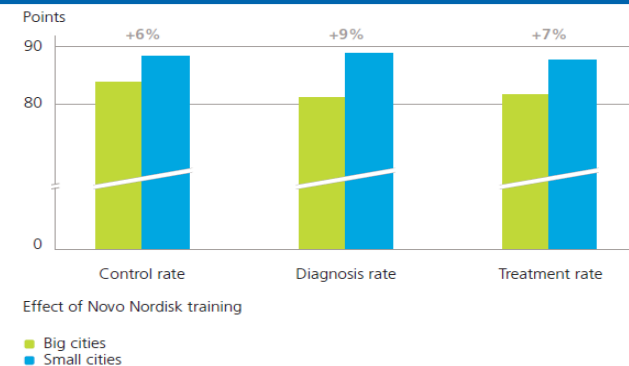
2

Segment population to find opportunities for greatest impact per RMB invested



3

Track progress to adjust and optimize program for best results



# Abbott Is Working with CARE to Expand Access to Affordable Medicines and Health Products in Rural India

## Key Challenges

- **Lack of access** to essential medicines
- Existence of a large “grey” market for **counterfeit medicines**
- Limited access to quality health **infrastructure** and healthcare professionals
- **Poor healthcare outcomes** in rural areas relative to urban areas and among poorer segments
- **Low level of public spending** on healthcare
- **Significant disease burden** in infectious diseases as well as chronic conditions





## This Work Is an Example of a New Kind of Corporate-NGO Partnership

- CARE – **traditional NGO partner with new approach** (CARE Enterprises). Looking at social innovation as a solution to improve access to health for the long term
- **Leveraging lessons learned** through Abbott's True Care business
- Providing beneficiaries of CARE's traditional work with **tools to ensure inclusion** in global economy
- Networks and franchises of women-owned micro-businesses to extend the supply of quality health products and services.







Unilever



- Hand washing promotion in Vietnam, Kenya & Zimbabwe
- Household Water Treatment in Vietnam & India
- Funding new hand washing metric (DALY)
- WIN-WIN  
Unilever reaches new markets  
PSI generates demonstrable health impact





- Sale of at-cost malaria meds in Malawi to increase access in segment of private sector
- Hope to expand relationship to new products and countries







- Merck Executives with long-term dedicated pro-bono fellowship commitment to PSI
- Develop private sector practical business solutions for field
- Mutual learning from different perspectives





Focused and determined **leadership** at CEO and country leadership levels

- Merck – Fellowship funded and supported by former CEO
- Unilever – Sustainable Living Plan at core of business plan



A desire for **mutual learning and shared innovation**

- Novartis - Market incentives will determine success of partnership, a true P&L driven exercise
- Merck – Win-win nature of fellowship to drive markets and improve health



**New approaches to measurement** that track link between bottom line and health impact

- Unilever - Hand-washing DALY modeling will address longer-term PSI requirement



**New partnerships** for shared value insights and implementation

- Unilever's Sustainable Living plan allow PSI insight into consumer behaviors
- Merck Fellowship understands impact of private sector on global health impact

## Audience Questions



**Karl Hofmann**  
Population Services  
International



**Kyle Peterson**  
FSG



**Ole Kjerkegaard Nielsen**  
Novo Nordisk



**Duncan Learmouth**  
GSK



**Kathy Pickus**  
Abbott

## Thank you!

- Thank you for joining in the shared value conversation today
- Please fill in the brief electronic survey that you'll receive after today's event to share your feedback with us
- For more information on shared value, please visit [www.fsg.org](http://www.fsg.org) or contact us at [info@fsg.org](mailto:info@fsg.org)
- To download the report, and to access the slides and archive from today's webinar visit [www.fsg.org/competingbysavinglives](http://www.fsg.org/competingbysavinglives)

*Today's webinar presented with in partnership with **GBCHealth***

