



Pandemic: examining the limits of corporate social responsibility

How much responsibility does a company owe society and at what point does that responsibility end?

That's the question examined in a timely INSEAD case study about corporate social responsibility called "Fighting the Flu: Tamiflu Stockpiling: A Pandemic Preparedness Policy."

The case study examines the measures Swiss pharmaceutical company Roche has taken to ensure there would be sufficient quantities of its influenza drug Tamiflu available worldwide to meet the next flu pandemic.

Tamiflu is one of few antiviral drugs effective against the Swine flu, which was first detected in Mexico and identified on April 24. Within a few days the virus had spread to Spain, the US, New Zealand, Israel, and is suspected in many other countries as well. The World Health Organisation (WHO) has upgraded its pandemic alert phase to phase 5, which means it can be spread from human to human.



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“The Roche case study is a particularly interesting one because it was a very peculiar situation for a company to be in,” says **Luk Van Wassenhove**, INSEAD Professor of Operations Management and co-author of the 2008 Roche case study with Ramina Samii, visiting Research Associate at INSEAD. “To be pretty much the only company that has this drug puts them in a very difficult situation.”

How difficult? Suppose Roche could have made Tamiflu available but didn't. Now suppose there is a flu pandemic and 50 million people die as a result of not having access to the drug. That would spell the end for the pharmaceutical firm.

Fortunately Roche has taken action to make sure supplies are available. This includes setting up a worldwide manufacturing network at its own cost to ensure it can meet what used to be just a hypothetical demand.

“The question is: how much more does the company have to do to meet its social responsibility?” asks Van Wassenhove, Henry Ford Chaired Professor of Manufacturing and Academic Director of the INSEAD Social Innovation Centre. “Companies are not philanthropic entities.”

Beginning in the late 1990s, Roche tried to get various governments interested in preparing for a flu pandemic. But their efforts fell on deaf ears. Meanwhile, Tamiflu was launched globally in 1999 as a seasonal influenza drug. Roche could produce 20 million doses of the drug annually. This was just prior to the avian influenza, which began appearing shortly afterwards in Asia.

Despite the lack of interest by governments, Roche decided to increase its capacity to 55 million doses from 20. Then in 2005 the US government asked Roche about its ability to supply 200 million doses of Tamiflu. As a result, the company decided to ramp up its production capacity to 400 million doses by the end of 2006.

Roche didn't have the internal capability to do this so it had to use external suppliers. It identified suppliers from across the globe and in the end a core group of 18 partner companies in ten countries became part of the Roche network. Roche paid all set-up costs for the network, including capital investments, technical transfer activities, qualification registration work, regulatory filings, and so on.

It didn't stop there. Roche also added an extra supplier in each area of the supply chain and granted sub-licences to three companies in China and India. It also shared technical know-how with a company in South Africa. In addition, because the flu

is not patent protected, underdeveloped countries could manufacture generic versions of Tamiflu without violating Roche patents.

In August 2005, Roche agreed to donate a stockpile of three million doses of the drug to be stored in the US and Switzerland. Studies have shown that such a stockpile could stop a pandemic at the source. In January 2006, Roche agreed to donate a further two million doses to be stockpiled in specific regions.

Government apathy to preparedness disappeared after the deaths and panic caused by the avian flu. By early 2007, Roche had received orders from almost 80 countries for 200 million doses of Tamiflu. Roche also decided to develop a way to prolong the drug's shelf life beyond five years.

“Now that whole investment basically was made by Roche as part of their corporate social responsibility,” Van Wassenhove says, “Roche did what they had to do, it was necessary for the reputation of the company because there was a high reputational risk of not being proactive. But now do they have to continue to pay to maintain that capacity? Or should the international community and governments pay for it?”

There are many questions about how far Roche's responsibility extends that must be answered before the world can say it is prepared for a flu pandemic. For example, there are countries that can afford to pay for the drug and countries that cannot. Is Roche responsible for making the drug available to poor populations at a lower price or for free?

And who gets the drug first? In the case of a major outbreak, doctors, nurses and hospitals will be needed and so are obvious priorities to get the treatment early on. How about the police and army? They might be needed to maintain public security. Remember the events following Hurricane Katrina?

“Are we ready for a big pandemic?” Van Wassenhove asks. “The answer is no. Not that much has happened since the previous warnings. We are not ready in terms of having systems in place so that all the different parts of the world can react and take the right measures without getting into a panic.

“At some point in time, governments have to take responsibility, local communities have to take responsibility, individuals have to take responsibility. If we all collectively take responsibility and think about preparedness we can design systems to make us more resilient when one of these things happen.”

That assessment was echoed by health and industry experts speaking at a conference held last month in Geneva that was hosted by the INSEAD Alumni

Association Switzerland. Speakers at the event included Guenael Rodier, Director of International Health Regulations Coordination at the WHO, David Reddy, Global Influenza Pandemic Task Force Leader, Roche Pharma, and Prashant Yadav, Professor of Supply Chain Management at MIT-Zaragoza International Logistics Programme.

“Given there is no effective supply chain for delivery of drugs or vaccines in low- and middle-income countries, and the nature of the next crisis will be such that each country will be impacted due to increased travel and trade, it will not be possible to distribute or deliver drugs or vaccines in a rapid response fashion,” says Yadav, who is also a Visiting Professor at INSEAD’s Social Innovation Centre. “Hence, radically new ways of distribution would have to be used especially in developing countries.”

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