

HEALTHCARE

taking a holistic view

Novo Nordisk is conscious that it needs to play a wider role in the fight against diabetes than just selling the insulin that it manufactures. So it has spent five years researching the value to society of combatting the disease on all fronts – and has come up with some startling findings

Imagine, for a moment, a company that is the world's biggest supplier of a product for which demand is steadily growing and upon which its customers depend. Imagine, too, that the company has a very strong position in its market niche and is also well run, in the last financial year making a net profit of DKK5.86billion (\$998million, €780m, £530m).

Viewed through the lens of investment analysis, this might be a small tobacco company, or a medium-sized information technology business with a software patent that still has some years to run. It is in fact Novo Nordisk, manufacturer of insulin, the naturally-occurring drug used to treat the fifth leading cause of death in the world – diabetes.

When companies are reduced to their bare financial bones, they all start to look the same. This may help City analysts to make comparisons and reduce all forms of value to financial profit, but it can also lead to a feeling that all companies are indivisible. Yet they are not: each had a different starting point. The doctor who founded Novo Nordisk, for example, was the first to bring insulin manufacture to Europe in the 1920s, prompted in part by his search for treatment for his diabetic wife – a search that has ultimately led to the company's current position as a global market leader in diabetes treatment.

Novo Nordisk is a different company in other ways too. Ever since it ran into trouble with animal rights protestors in the 1970s over animal testing of ingredients at one of its factories, the directors have been well aware that while the first responsibility of a business is to make a profit, companies also have wider responsibilities to society. Since that time, Novo Nordisk has produced a number of sustainability reports which have been held up by others as a model for the presentation of corporate non-financial information. Now it has again broken new ground by publishing an unusual study into the disease from which it derives 70 per cent of its sales. *Changing the cost and benefits of diabetes* reports on a project which was begun in 2001, and looks at the socio-economic impact of a disease that kills many more people each year than HIV/Aids.

Like Novo Nordisk, other companies have made a financial estimate of their total contribution to their stakeholders and to society. But Novo Nordisk is

'Novo's most significant footprint is related to the socio-economic impact of its products'

the company

Novo Nordisk has 22,500 full-time employees in 79 countries, and markets its products in 179 countries. The healthcare company had sales of DKK33.8billion (\$5.6bn, €4.5bn, £3bn) in 2005. It:

- became, in 2004, one of the first companies to integrate data on its social and environmental performance in its annual financial report
- has won the European Awards for Sustainability Reporting on three occasions – more than any other company
- is working with the Business Leaders' Initiative on Human Rights to develop a 'common framework' on business and human rights
- for the last four years has evaluated about 400 of its largest suppliers on social and environmental issues and is now extending this work deeper into its supply chain

thought to be the first to widen this investigation beyond an assessment of the company's immediate footprint on society as measured by jobs created, corporate tax contributions and value of exports.

'We wanted to do much more than that', explains Novo Nordisk senior adviser Martha Emneus, who is a trained economist. 'The most significant impact Novo Nordisk has on society is the indirect socio-economic impact of its products on individuals and nations. Many patients have complications that arise as a direct result of having diabetes. This pushes up nursing and other care costs and leads to lower productivity arising from patients not being able to work. We wanted to look beyond the insulin product and measure the value of fighting diabetes to society.'

The five-year study focused in particular on Denmark, where the company is headquartered, and Bangladesh, a developing country where Novo Nordisk has been helping to build a better diabetes health infrastructure. Novo Nordisk worked with academics from the Odense University Hospital and the University of Southern Denmark to collate the medical, economic and epidemiological data. Reviews of the overall cost of diabetes to other countries, among them Sweden, the Netherlands and India, are ongoing.

The findings make surprising reading. Bangladesh could over a 20-year period significantly increase its GDP due to increased survival from improved diabetes care. In Denmark, where a form of diabetes linked to obesity is becoming more widespread, healthcare costs account for only 24 per cent of the cost of diabetes to society. The remaining 76 per cent is not



■ individuals like Punithivel Thanikachala, who lives in Chennai, India and has Type 2 diabetes, stand to benefit from Novo Nordisk's more holistic approach to the treatment of the disease

directly related to treatment, but arises either from the need to treat ensuing complications or through lost productivity. Insulin treatment accounts for just five per cent of direct health care costs of diabetes.

In both countries, the additional years of life, the quality of these years and the 'increased productive capacity' of people – their ability to work – would more than outweigh the investment in improved treatment. These three interrelated benefits represent different ways of measuring the societal payback on investment.

A similar picture emerges in Europe, where keeping patients with Type 2 diabetes in hospital due to complications accounts for more than half of all spending on their treatment, as well as Latin America, where costs of lost production are up to five times the direct healthcare cost, and in the US, where diabetes resulted in \$54bn of lost productivity in 1997 alone.

In hard economic terms, then, society should invest in better diabetes care. 'The cost of not treating diabetes is much greater than the cost of proper treatment, particularly in the developing world, where two-thirds of the expected increase in diabetes will occur,' says Emneus. Much of this will be Type 2 diabetes, which is increasingly common among people who do not exercise and eat the wrong food. There would be other important benefits too: for patients and carers, quality of life would greatly improve.

The company may have identified the problem. But it can be only part of the solution. 'Managing the social costs of diabetes needs a programme of work over more than five years,' says Emneus. 'Proper treatment is not just about medicine but about awareness, education and training and, especially in poorer countries, building basic healthcare capacity. Unfortunately, most politicians think in the short term.' As part of its efforts to persuade government agencies to take a more holistic approach to diabetes treatment, Novo Nordisk has educated more than 120,000 healthcare professionals, helped to establish national

diabetes strategies in 30 countries, and set up treatment and education centres in Bangladesh, China, India, Mongolia, Tanzania and Zambia. In 2002 it set up the World Diabetes Foundation, which has supported more than 65 projects in developing countries. Since 2001, Novo Nordisk has offered insulin to the public health authorities of the 50 poorest countries at prices less than a fifth of those in the West.

If diabetes care improves, won't that hit the company's revenues? Emneus says not. Proper treatment that reduced the overall cost to society would still involve the use of insulin: less than an estimated one-third of the 230 million with diabetes worldwide are currently receiving any form of treatment and some 11 per cent use insulin. 'This research has greatly improved our knowledge and understanding of the market – we could eventually market knowledge about how to prevent diabetes. Delivering what society needs will protect our licence to operate for the long term'.

■ Further information: Martha Emneus, Novo

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Novo Nordisk has undertaken research into the socio-economic effects of diabetes and in doing so has ascertained how the company and its core product, insulin, impacts on society. This has helped inform the ethical dimensions of the company's strategy, creating a more holistic approach to the global campaign against diabetes.

Of particular interest are:

- Novo Nordisk's sense of responsibility as a key part of diabetes care to educate and build healthcare capacity, beyond simply providing a product
- its global programme of education for healthcare professionals and the establishment of national diabetes strategies and treatment centres
- its reduction in the price of insulin for the poorest countries
- the awareness that CSR programmes protect a company's licence to operate

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