

# *The McKinsey Quarterly*

## **One business's commitment to society: An interview with the president of the Novartis Foundation for Sustainable Development**

### **Article at a glance**

At a time when executives increasingly debate the role of business in society, this interview explores one company's contribution to the global fight against poverty and disease.

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Klaus Leisinger, president of the Novartis Foundation for Sustainable Development, explains how the organization has acted not only as a bridge between its Swiss pharmaceutical parent and the outside world but also as a facilitator of debate among nongovernmental organizations (NGOs), governments, and the private sector.

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Besides the foundation's achievements—notably its role in destigmatizing leprosy—Leisinger discusses the challenge of verifying a company's contributions to society and of introducing private health insurance to Africa's rural poor.



# One business's commitment to society:

An interview with the president of  
the Novartis Foundation for Sustainable  
Development

*Klaus M. Leisinger discusses his company's contribution to the global fight against poverty and disease.*

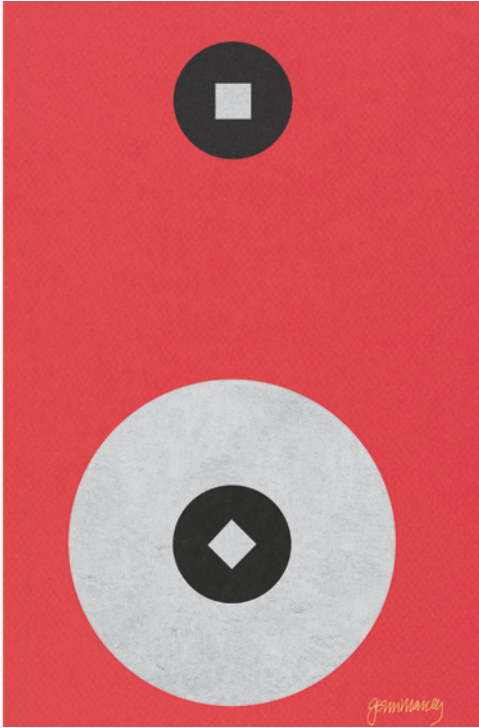
**Gautam Kumra**

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**Since the creation** of the Novartis Foundation for Sustainable Development, in 1979, it has been in the thick of efforts to tackle the Third World's health- and poverty-related problems. Besides contributing to the fight against tuberculosis and malaria, for instance, the organization has pioneered novel techniques to teach people suffering from leprosy that it is a treatable disease, introduced new programs to support the orphans of AIDS, and launched a potentially groundbreaking experiment to bring health insurance to Africa's rural poor.

Organizations such as the foundation—essentially, long-term partnerships uniting business, governments, and nonprofit groups—also stand at the forefront of the emerging debate on the wider role of business in society. In this respect the foundation sees itself as a bridge between its Swiss pharmaceutical parent and the wider world, acting (according to its latest annual report) as “a development-policy consultant inside and outside the company.”

The high repute of the foundation owes much to its current president, Klaus M. Leisinger, who began his career as an intern at Novartis's predecessor company, Ciba-Geigy, in the early 1970s. There he produced guidelines for the operations of an international company doing business in Africa. These later became the basis of the group's corporate policy on the Third World.



An ethics lecturer at the University of Basel, Professor Leisinger is also a special adviser to UN secretary general Kofi Annan on the UN Global Compact (a declaration of principles for companies to follow in areas such as human rights and the environment).

Klaus Leisinger recently talked with Gautam Kumra, a director in McKinsey's Delhi office, about the lessons of the foundation's activities, its relationship with Novartis, and the tough challenge of verifying a company's contributions to society.

**The Quarterly:** *What is the foundation's primary goal?*

**Klaus Leisinger:** Our work has three pillars. One is the think tank, where we advise Novartis and interested external institutions on corporate-responsibility issues. For instance, we have done research on business and human rights, the right to health care, and access to medicines. This helps Novartis form its position on important issues and provides external parties with an enlightened private-sector viewpoint.

The second pillar is a networking function involving the company, NGOs,<sup>1</sup> and the United Nations. We organize stakeholder symposia once or twice a year on controversial subjects, inviting all sides to try to find a consensus—or at least to be aware of the “opinion portfolio” available.

Last but not least, we have about 20 projects aimed at controlling illnesses like leprosy, tuberculosis, and malaria and at supporting AIDS orphans. We are also developing new health insurance schemes for poor rural areas and helping to improve the quality of the diagnoses made by health auxiliaries in remote areas.

**The Quarterly:** *Let's start with leprosy, which 20 years ago still affected 122 countries but whose elimination now seems within reach. What lessons have you learned?*

<sup>1</sup>Nongovernmental organizations.

**Klaus Leisinger:** When we started, the traditional approach was “active case finding”—you went out and looked for leprosy patients. The problem was that leprosy was and still is a stigmatized disease and people would hide.

Most people did not know that leprosy is a normal, treatable infectious disease and that the mutilations are secondary consequences. So we worked to destigmatize it through “social marketing.” We did radio jingles, newspaper articles, and billboards—even a television series in Sri Lanka, where we started, using well-known stars. The story revolved around a beautiful woman in love with a handsome man, and somehow leprosy comes between them. A real soap opera! It was so successful that it was repeated two times on public TV. The central message was, “Leprosy can be cured. It is not a curse you must endure.”

As a result, the number of people who sought medical help for leprosy increased dramatically. If you destigmatize diseases, patients will say, “Hey, doctor, can you look at this?” If leprosy is seen as a curse, people with it will hide. When they hide, the disease progresses, the mutilations occur, and the stigma remains.

**The Quarterly:** *Did you work directly with Novartis on this initiative?*

**Klaus Leisinger:** Novartis developed two of the three drugs representing the best treatment: the multiple-drug therapy recommended by the World



**Klaus M. Leisinger**

#### **Vital statistics**

- Born February 6, 1947, in Lörrach, Germany
- Married with 3 adult children

#### **Education**

- Graduated in 1972 with degree in economics and social sciences from the University of Basel, Switzerland
- Received PhD in 1975 in social sciences from University of Basel, Switzerland; completed postdoctoral studies in sociology in 1983

#### **Career highlights**

- Novartis Foundation for Sustainable Development (1990–present)
  - President and CEO (2000–present)
  - Executive director and delegate of foundation's board of trustees (1990–2002)
- Ciba Pharmaceuticals (1975–82)
  - Regional manager, East Africa (1978–82)
  - Headed developing-country relations, Basel (1975–77)

#### **Fast facts**

- Serves as professor of sociology at University of Basel and as guest lecturer at European and US universities; contributes to a number of scientific journals and newspapers
- Appointed by Kofi Annan in 2005 and still serving as special adviser to the United Nations secretary general for the UN Global Compact
- Awarded honorary doctorate in theology by the University of Fribourg, Switzerland in 2004
- Serves on board of trustees of the German Network Business and on the advisory council of Mary Robinson's Ethical Globalization Initiative

Health Organization. When we started this work, in the mid-1980s, the multiple-drug therapy came in three boxes—clofazimine,<sup>2</sup> rifampicin, and dapson. The patient would receive the drugs either in the palm or on a piece of paper, pocket them, and walk home. The patient would then lose some of them, and some would become wet in the rainy season. It was a mess. Certain patients, moreover, are not literate or have cultural prejudices against certain colors, so you could not make sure they were taking the drugs exactly as they should.

Blister packs changed all that. In the early 1990s Novartis developed watertight blister packaging. The drugs stayed clean, even on a dirty mud floor, and could not be eaten by insects. Blister packs also helped patients take the right drugs at the right time. And we could say, “Bring the empty blister back and you get a new one,” which helped us keep track of how much was taken.

Since 2000 Novartis has been donating the multidrug therapy, and we are proud to have helped cure more than 4,000,000 leprosy patients over the past five years. If we continue, there will be fewer and fewer new infections. Let me dream for a moment. If we could reduce the number of patients to 50,000 by 2009, we could make a final push for elimination by giving the remaining victims incentives to come forward.

Fighting leprosy is so complex that it requires a multistakeholder approach—a joint venture among different agencies in many countries. We work closely with the World Health Organization’s leprosy elimination team, governments, and nongovernmental organizations. That is part of the success recipe. If you have a government, the WHO, NGOs, and an industry-related foundation like ours at the table, everybody brings things that none of the others have. This raises the quality of the effort and gives rise to synergies and innovation.

**The Quarterly:** *How do you ensure that such joint ventures work smoothly and effectively?*

**Klaus Leisinger:** If you work in a poor environment you always run into unanticipated problems, so you must look at them as a business would. You need to create an atmosphere of trust and encourage open dialogue on issues, but you should also make a written contract with the rights and duties of all partners and the way they should interact. Make the contract waterproof, not to give work to lawyers, but to shed light on all the implications. You must do that at the beginning, when everybody wants

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<sup>2</sup>Trade name: Lamprene.

the project to succeed, because once the problems start it's too late. If your partners are heterogeneous there can be a lack of mutual understanding because of different institutional cultures or perceptions of problems.

Writing a contract and discussing every paragraph allows you to evaluate the potential weaknesses and strengths, the opportunities and the threats. You can create a contingency plan if something goes wrong—and if the

*'People with a business background, delegates from NGOs, government employees, and social workers may have totally **different perceptions**'*

problem you are tackling is complex, something will. The plan should designate credible third parties to help in the event of trouble. You must also ensure that you can cope with institutional-capacity issues, a lack of mutual understanding, and cultural differences. People with

a business background, delegates from NGOs, government employees, and social workers may have totally different perceptions of the world. Finally, you must always take the time to celebrate successes, because only this gives you the strength to deal with the remaining deficiencies and problems.

**The Quarterly:** *What does Novartis get in return for its financial support of the foundation?*

**Klaus Leisinger:** We help the company by bringing in an NGO perspective—an outside view. Many of the people in our network think and feel differently from the way that, for example, the financial analysts with whom Novartis's finance managers speak regularly think and feel. An awareness of alternative realities makes the company more competent socially. We provide an early-warning system on a number of social or political issues because we are in touch with shifting expectations about corporate responsibility and can help analyze what they mean. For example, in a poll in Germany a year ago one of the questions was, "If a pharmaceutical company had a lifesaving drug and 70 percent of the patients in, let's say, Africa could not afford it, what would the company be expected to do?" Seventy percent of Germans said, "Give the drug away for free." I would bet that 90 percent of the managers in a pharmaceutical company would not share this opinion.

But the fact that such a big majority of the population would is a signal that companies must come forward with constructive ways of dealing with the problem of access to health care among poor people. If we are regarded as part of the solution, we will have a different reputation and regulatory environment than we would if we are regarded as part of the problem.



**The Quarterly:** *Do you find that corporate managers sometimes resist your worldview?*

**Klaus Leisinger:** Through our think tank, we did conceptual work on how to implement the UN Global Compact. We found that most managers could easily relate to its principles on labor standards, the environment, and corruption, but not to human rights. Most managers said, “We are not killing, torturing, or raping. We don’t have secret prisons. What is the human-rights issue all about?” Most managers are not aware that the Universal Declaration of Human Rights includes economic, social, and cultural rights. Our work helped Novartis formulate a corporate position that respected its legitimate interests but also defined its stance on the right to health care and access to treatment. Our leprosy donation, our differential-pricing arrangement for our world-class antimalarial drugs, and our projects to assist patients are all a part of that stance. We have also helped the company interpret the UN Global Compact.

**The Quarterly:** *Did the UN Global Compact work change how the company acted?*

**Klaus Leisinger:** Our role is to consult, challenge, and question. That’s how an institution like ours can help a company define its corporate-citizenship guidelines. Of course you need a basic decision from the top—without that, nothing goes. But with the enlightened leadership of Novartis, this has never been a problem. Once the guidelines are defined, they have to be implemented through normal corporate-management processes, from individual target setting to performance appraisals to compliance management to auditing to reporting. Only if corporate-responsibility metrics are part and parcel of normal business can they be successful. If the bonuses of managers depend on achieving targets in this area, it becomes a different ball game. But if it is simply the icing on the cake, everybody will talk about it at Rotary lunches or on Sunday mornings in church and then forget about it.

**The Quarterly:** *What can companies do to verify independently whether they are living up to their commitments?*

**Klaus Leisinger:** This is a very difficult subject. The traditional management approach uses auditing firms like PricewaterhouseCoopers or KPMG to verify what is being done. After Enron and Arthur Andersen, there is a credibility gap. But suppose that Novartis were to approach Amnesty International and say, “We have nothing to hide. Why don’t you

audit our human-rights record?” They would probably say, “No, we don’t have the capacity.” If Novartis then offered to pay for it, they would be likely to respond, “We can’t accept money from industry, as this could jeopardize our credibility.” So those who have the best know-how and experience on human-rights matters can’t be part of compliance. We are doing a pilot project this year with a Novartis company and the Danish Institute for Human Rights, which has developed a human-rights compliance assessment. If this is a positive experience, Novartis is likely to repeat it in its other companies too.

**The Quarterly:** *Are pharmaceutical companies held to higher standards than others?*

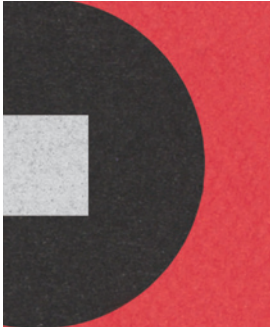
**Klaus Leisinger:** Yes, and they should be because a sick patient does not have “consumer sovereignty” to buy or reject a product. If you are thinking about buying a car, you often have the alternative of using a bicycle or public transport. If you are sick you need a drug, and if it is lifesaving you have even less choice. Conditions of poverty impose an additional corporate responsibility, especially with lifesaving drugs like Coartem for malaria or with drugs to cure a disease like leprosy. You can implement differential pricing—meaning that you sell at the market price in rich, industrialized countries but give the drug away at cost or at highly subsidized prices to international organizations like the World Health Organization or the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Or you donate drugs, as we do with remedies for leprosy and tuberculosis. You also use part of your knowledge and know-how to do pro bono research, as we are doing in our Singapore-based Novartis Institute for Tropical Diseases, where we do work on dengue fever and tuberculosis.

**The Quarterly:** *How can companies help with neglected diseases like malaria and tuberculosis, which lack a commercially attractive market?*

**Klaus Leisinger:** Part of the patented know-how in companies isn’t developed because it doesn’t fit their marketing focus, so it remains in the drawers. If you could screen what is in them for potential use in the fight against diseases that afflict the world’s poorest regions, you would gain access to a tremendous wealth of intellectual property. Our Singapore Institute is, among other things, doing this.

But maybe more could be done. Every year dozens of skilled researchers retire from the company. They still know where the drawers are, so we could go to them and say, “Help us screen for compounds that could fight infectious diseases.” If every one of the big drug companies came up with only one such compound a year, we would have a different world in ten years.





**The Quarterly:** *How does your AIDS-related work differ from what other foundations are doing?*

**Klaus Leisinger:** There are ten million AIDS orphans and they all need a very specific approach to help them cope with the emotional and social loss, avoid exploitation, and prevent them from falling into the same vicious circle and ending up like their parents—dead. Most people imagine that when children in places like Africa are orphaned, the extended family

puts its arms around them and provides a new home. This is just not true. On top of being traumatized by the loss of the parents, these children often face a very unfriendly environment. Boys are exploited for the dirtiest, worst kind of work. Girls are exploited sexually. We have seen grandfathers with 20 cows, who refuse to give a single one to their orphaned grandchildren. We have seen village elders who would not allocate land to orphans to grow their own maize and cabbage or who wanted to prevent them from selling the fish they were catching.

We set up a pilot project with a local NGO in a village in Tanzania in 1997. The project has helped orphans live with dignity by empowering them and supporting them economically through farming and other activities, making sure they stay in school, and providing social support and therapy that helps them cope. It eventually grew to involve about 400 children in several villages. Over the past two years we have expanded, replicating the project in 14 southern African countries. We have been very successful at attracting local groups, as well as international organizations that want to replicate what we are doing in our pilot. People from local communities are willing to dedicate 12 hours a day at very low salaries because they see the chance to make a difference. They speak the local languages and understand the local culture. That's an important first step to make a real difference for children who otherwise would be on their own.

**The Quarterly:** *I'm intrigued, finally, by your health insurance experiment in Africa. What are the challenges? Do you think the experiment is applicable elsewhere?*

**Klaus Leisinger:** All over the developing world, the state is withdrawing from free or even heavily subsidized health care, while private insurance isn't there. In this situation, sick poor people become especially vulnerable, as they can neither work nor pay doctors. Our project in Mali costs individuals about two dollars a year. It is still in its early days, but we hope that it could break even in five years and then perhaps be rolled out in other

parts of Africa. It has been difficult saying, “You must pay money, without immediately getting something back.” Most people in rural Africa are not used to the mind-set of health insurance. You must do social marketing to explain it.

The first answer we got from the village elders was, “A very nice idea, but what’s in it for us?” So our foundation built a primary health care center near the ten villages in the project. Those who are insured are not only getting lower prices than those who are not members of the health insurance plan but also help with prevention—for example, by getting a triple vaccination for childhood diseases. In this way we can offer visible evidence of the advantages of becoming a member of the insurance plan.

We are now in the third year. Of the 20,000 people living in the ten villages, 1,500 are members of the health insurance scheme. Of course, that is not sufficient, but those who have benefited by receiving professional care are the best advertisement. In the long run we have to work to make more people self-reliant. **Q**

**Gautam Kumra** is a director in McKinsey’s Delhi office. Copyright © 2006 McKinsey & Company. All rights reserved.

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