

ANTIDOTE TO A SCRUTINOUS IMAGE

As many pharmaceutical corporations, Novartis has suffered from negative publicity. With a new evaluation tool, Brand Reputation Index, the company has revealed the reasons and managed to improve its image.

by Markus Renner

On 12 March 2007, Fortune magazine revealed that 1,500 senior executives and board directors representing pharmaceutical and biotech companies around the globe have rated Novartis as 'The World's Most Admired Company' within their industry. This position was confirmed by the outcome of a parallel survey conducted by Novartis of more than 2,500 key stakeholders in seven key markets. Since 2005, Novartis has also appeared at the top of the lists of every major international reputation ranking. These are the most prominent milestones of a concerted program that has been established by Novartis to systematically manage its corporate brand and reputation. The following article will describe why Novartis launched this project, which steps were taken, what has been achieved so far, and what is planned to further improve the executive tool for managing the corporate reputation.

PARADIGM IN COMMUNICATIONS Since 2004, the pharmaceutical industry has been facing considerable scrutiny, criticism and negative publicity throughout developed and emerging growth markets. According to the annual Harris Poll among US consumers for example, 2006 only tobacco and oil corporations had a weaker reputation than healthcare companies in general. One of the key challenges is a growing information clutter and overload for key stakeholder groups created by new technologies and a dramatically growing proliferation of available information and sources. To meet this challenge and distance Novartis from this general industry perception, communications is aiming to reach target audiences with differentiating stakeholder-specific messages that enhance the reputation of Novartis.

REAFFIRMING THE NOVARTIS BRAND

A precondition for a targeted and sustainable dialogue with stakeholder groups that appear to have greatly differing, often even opposing, interests is a precisely defined corporate brand. Only a company being clear on what it stands for and being aware of its stakeholders' feedback and expectations will be able to identify and evaluate possible perception gaps and therefore be best equipped to achieve its business goals. Without a brand promise reflecting a unique corporate purpose, aspiration and strategy, a company can try to live up to stakeholder demands towards the industry in general, but not proactively manage its own specific reputation.

Only ten years after Novartis was created in 1996 through the merger of Ciba-Geigy and Sandoz, it is already one of the most valuable corporate brands worldwide. According to the Swiss Interbrand ranking published in Bilanz in January 2007, its value amounts to 11.5 billion CHF (approx. 9.4 billion USD). Business Week's 'Top 100 Global Brands' already ranks the Novartis brand at 43rd position.

To meet the challenges of the changing healthcare business envi-

ronment, the identity of the Novartis brand was sharpened. This was done to make sure that employees and external key stakeholders will fully understand the attitude and culture, goals and strategy of Novartis. The enhanced brand messages crystallize the company's purpose, aspiration and strategy. Fundamental for all of this were the existing corporate values, realities and demands:

1. Patients remain central to the work done at Novartis, with the motto 'caring and curing' articulating the purpose of the entire organization and each employee worldwide. Novartis does that by being patient-focused, an innovation leader, a responsible global citizen and a performance-driven organization.
2. To achieve the aspiration to be 'the world's most respected and successful healthcare company', Novartis wants to be a trusted partner, the top innovator, the global leader, and have the best talent and team.
3. To reach this goal, the strategy of Novartis is to provide healthcare solutions that address the evolving needs of patients and societies worldwide.
4. The new brand design expresses the Novartis spirit and assures a consistent visual identity. The colour family consists of warm colours to emphasise caring. Visuals reflect the Novartis brand style: inspiring, empathetic and fact-based.

IDENTIFYING GAPS AND IMPROVEMENT DRIVERS Having laid the foundations, the next task was to implement a system measuring how the key stakeholder groups of Novartis perceive the messages embedded in the corporate brand, i.e. what reputation the company has among its stakeholders and how this changes over time. Along with ascertaining position within the competi-

tive set, the aim was also to objectively identify misperceptions, i.e. reputation gaps and the risks resulting from them. The intent was to detect adjustment parameters that would enable Novartis to close such gaps effectively. The experience that local issues increasingly have global impact but need to be solved in regional environments required a multi-national approach. A thorough evaluation revealed that these objectives could not be achieved with the tools available in the market. Reputation parameters defined on

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an industry-transcending basis were not sufficient to deduct reliable recommendations for concrete action. Moreover, the usual survey of consumers or the general public did not yield any usable results for an industry, whose business model still is predominantly B2B and heavily influenced by specialist groups. The interest of Novartis was directed towards the groups whose attitudes and behaviours have the greatest effect on the success of its business. Apart from the over 100,000 employees worldwide, these include medical doctors, pharmacists, patient organisations, NGOs, healthcare policy makers, investors and financial advisors, business partners, competitors, and future talent. Novartis decided to partner with the corporate reputation practice of Hering Schuppener in Germany to develop an industry-specific measurement model from scratch that was to answer the following questions:



Figure 1 | How reputation drives behavioral intentions of key stakeholders in the pharmaceutical industry

STORY TELLER

1. Which reputation dimensions drive perception of each key stakeholder group and which of them determine behavior of these groups toward Novartis?
2. How strong or weak is Novartis compared to key competitors – globally, in specific countries and per stakeholder group?
3. What are the respective perception gaps towards peers and why do they exist?
4. What are the reasons for misperceptions and unsatisfying behavioural intentions among stakeholders and what can be done to change or improve them?
5. Do respective activities pay off, i.e. enhance reputation towards peers?

The Brand & Reputation Index (BRI) was developed and first implemented in Q4 2005 as a pilot survey in the US, Switzerland, Germany and the UK. The design was based on two years' analysis of 10,000 articles and 70 business rankings published by top-tier media in these countries. Moreover, interviews with 900 physicians, pharmacists, industry executives and financial analysts added stakeholder-specific aspects to the questionnaire. The BRI pilot itself involved more than 1,500 stakeholders who took up to 60 minutes to answer open-ended questions about what drives their perception of pharmaceutical companies- and rate Novartis as well as seven key competitors across a set of pre-defined reputation attributes.

The pilot results were used to optimise the research model which was then validated through an international pretest under the lead of Michaela Wänke, Professor and head of the Department of Social and Economic Psychology at the University of Basel, involving 47 scientists and industry practitioners. In Q4 2006, the second wave of the BRI was launched in the four initial markets plus France, Italy and Spain. Over 2,500 representatives of the aforementioned nine stakeholder groups completed the survey.

Two advantages characterise the value of this pioneering tool: The research design provides concrete improvement drivers based on behavioural intentions. Moreover, it reflects changing patterns of perception and behaviour. Contrary to other reputation measurement tools, the BRI statistically identifies the most effective action items (as opposed to ex post interpretation based on personal experience and gut feeling). Perception changes are made visible through quantification of reputation dimensions' importance and open-ended questions designed to catch new demands.

The BRI model features nine reputation dimensions which are constituted by 64 indicators and load on a set of stakeholder group-specific behavioural intentions (e.g. the recommendation to buy shares for financial analysts). The dimensions in the table below are ranked by order of importance for the perception amongst all stakeholders across all seven countries. Ratings are based on a scale of five where 5 represented 'extremely important' and 1 'not important at all'. A comparison between the 2007 and 2006 figures reveals that 'soft' factors related to transparency, business ethics and CSR further increased their impact on the reputation of pharmaceutical companies, whereas the importance of the traditional 'hard' performance criteria continued to decline.

The BRI tells Novartis how it is perceived within each of the nine dimensions broken down per country and stakeholder group, as compared to its peers. A closer look at the results for 'Ethical Business Practice' will illustrate what the system delivers to communication executives and local management. Overall, Novartis ranks a close second in

Reputation Dimensions	2007	2006	Change
Quality of Products & Services (8 indicators)	4.75	4.55	+0.20
Ethical Business Practices (7 indicators)	4.66	3.99	+0.67
Transparency (8 indicators)	4.50	3.77	+0.73
Innovativeness (5 indicators)	4.36	4.17	+0.19
Quality of Management Team (7 indicators)	4.29	4.26	+0.03
Corporate Responsibility (9 indicators)	4.26	3.77	+0.49
Employer Attractiveness (7 indicators)	3.60	3.74	-0.14
Effectiveness of Marketing & Sales (7 indicators)	3.59	3.65	-0.06
Business Performance (6 indicators)	3.57	3.64	-0.07

Figure II | The BRI model features nine reputation dimensions

EXECUTIVE SUMMARY

Scrutinies

- Criticism for the pharmaceutical industry

Reputation measurement

- Implementing a system measuring what reputation the company has among its stakeholders – Brand Reputation Index

Advantages

- Research design provides concrete improvement drivers
- Reflecting changing patterns of perception and behavior

Second Phase

- Gap assessment, strategy development

terms of ethical conduct. Yet, there is still room for improvement. Even in Spain, where Novartis leads the peer group by a large margin in every reputation dimension, stakeholders provided clear indications of how this position can be further strengthened. For example, university graduates (Future Talent) did not perceive Novartis as best in class with regard to 'Ethical Business Practices' raising a concrete demand relating to lobbying activities.

REPUTATION MANAGEMENT: COUNTRY- AND FUNCTION-SPECIFIC ACTION PLANNING

Identifying the reasons for such a demand and determining whether it results from misperception (that can be corrected through means of communications) or reflects corporate reality (requiring decision-making by senior executives) is part of the second phase of the reputation management process: gap assessment and strategy development. Having learned that perceptions are largely the result of local stakeholder experience and national healthcare debates, Novartis established a bot-

Photo: private

tom-up action planning approach. Identified gaps and improvement drivers are first discussed with the communication heads of the seven countries covered by the BRI and of all functions that are instrumental for the dialog with at least one key stakeholder group. They assess the gaps, categorize them and recommend the most effective action items. The resulting local and functional action plans then serve as a basis for an orchestrated global strategy planning that involves communication executives throughout the organization. Subsequent to that, key findings and activities are discussed and decided on by senior management. The success of the defined actions is measured by three tools: Apart from the next wave of the BRI, business rankings and media coverage are analysed along the same set of reputation dimensions on an ongoing basis. This is supplemented by a survey assessing the alignment of employees with the purpose, aspiration and strategy of Novartis.

ACHIEVEMENTS AND NEXT STEPS Novartis knows how it is perceived by stakeholders in seven key markets; where it has a leading reputation and where competitors are given preference; which strengths and weaknesses are ascribed to Novartis and the reasons why. The necessary measurement systems and management processes to proactively and sustainably manage the corporate reputation and increase the value of the Novartis brand are in place and reality-checked. The next twelve months will reveal the optimum degree to which the BRI helps Novartis to manage reputation risks, coordinate measures that transcend individual countries and disciplines, and even more accurately gear its global communication network to dialogue with all relevant stakeholders. In the same time period, Novartis will launch a pilot survey to extend the BRI to Japan and five future growth markets: Brazil, China, India, Russia and Turkey. In 2006, the BRI won the German PR Report Award for 'Evaluation, Analysis and Measurement of Value Creation'.

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