THE PROPER ROLE OF PUBLIC RELATIONS IN THE PHARMACEUTICAL SPACE IN RESPONSE TO FAILED MERGERS & ACQUISITIONS, PRICE HIKES, AND DRUG CONTAMINATION

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Introduction

The pharmaceutical industry is one of the most scrutinized spaces in the American economy. In fact, public perception of pharmaceutical companies ranks among the lowest (Balfour). However, recently, the industry received high praise from governmental agencies and the general public on the backs of highly efficacious, safe vaccines against SARS-CoV-2, the virus which causes COVID-19 disease. Whether a pharmaceutical firm is reveling in a once-in-a-century scientific breakthrough or facing inquiries from angered politicians on Capitol Hill, a swift, well-structured response is necessary in order to maintain the company's reputation and financial integrity. This responsibility requires a spokesperson who is clearly and concisely able to communicate a company's position, reasoning, and future actions to all relevant publics. A public relations specialist in the space must be prepared for a wide variety of situations within the pharmaceutical space and understand the consequences of their response. Simply put, the playbook must contain a series of strategic reactions that are nothing short of elastic.

Learning from past experiences, both personal and indirect, is critical in order to understand key public relations takeaways and how one can leverage those lessons to develop a strong approach to dealing with national news in the pharmaceutical sector. There are a series of well-known cases that this thesis proposes to analyze in order to demonstrate how spokespeople at pharmaceutical firms should respond to certain situations. There are three key areas, given the rapidly evolving pharmaceutical industry, that this thesis recommends for an in-depth investigation: unsuccessful mergers & acquisitions, dramatic drug price hikes, and drug contamination. Pfizer Inc. 's failed acquisition of Allergan, Inc. in 2016 due to a change in the United States tax code will serve as the thesis' case study for how a spokesperson in the pharmaceutical industry should approach communicating an unsuccessful M&A deal. Case

studies centered on Mylan's Epinephrine Auto-Injector (EpiPen), as well as Martin Shkreli and Turing's Daraprim, will demonstrate key takeaways for public relations specialists when faced with public outcry about price increases. Lastly, an analysis of Johnson & Johnson's response to safety issues about its adenovirus viral vector vaccine - Ad26.COV2.S - against COVID-19 will highlight lessons on reacting to reports of drug contamination. Between all three themes, this thesis looks to equip future spokespeople with the necessary tools to promptly and justly respond to situations that may or may not face their respective pharmaceutical firm.

The following pages map out the proposal and literature review for a thesis completed during the 2021 - 2022 academic year at the University of North Carolina at Chapel Hill's Hussman School of Journalism and Media. The subsequent sections of this proposal were structured as follows. First, a literature review analyzing known information on communication around mergers & acquisitions, price hikes, and contamination of drugs. Then, a discussion about the method of case studies and the rationale behind the selection of the cases.

Literature Review of Communication Around Mergers & Acquisition

Proactive communication during an M&A deal is important to ensure the successful outcome of the merger. Strategic communication with internal actors especially ensures a smooth integration and transition of distinct cultures. It is important that leadership is visible and vocal throughout the entirety of the M&A process, including well after its completion to ensure employees are well adjusted to the new entity. Employee productivity can be positively impacted by consistent, clear communication. The following literature supports how applying these strategic takeaways in an M&A situation is important for a successful merger.

Studies completed on communication about mergers & acquisitions have focused on internal communication efforts. Patricia Therese Whalen published an essay looking at how public relations specialists look to communicate mergers and acquisitions (Whalen). The focus of the study looked to analyze how a company successfully integrates different cultures in M&A and how public relations can help to develop communication that targets internal sources in order to assimilate newly acquired employees. Whalen prefaces her analysis with the notion that the success rate of M&A transactions is disappointingly low, and "the fault is most often attributed to 'cultural conflict' and 'poor communications'" (Whalen 5). Her findings suggest it is important that merging companies identify potential cultural differences and areas of conflict in order to proactively find solutions to create a common company culture. The most effective manner to approach this strategic process of internal socialization, according to Whalen, is through constant open communication.

Whalen's literature focuses on a study that tests the hypothesis of the importance of communication in mergers and acquisitions. At the core of the study are a series of relationships between 12 unique variables, including the Role of Public Relations in the Planning Process, Attrition, and Experience with Employee Communication (Whalen 5). The study obtained data from a series of telephone surveys from 108 corporate executives who recently experienced a merger or acquisition of $100 million, a high-value M&A deal of financial significance. Not only did the study find a positive correlation between relatedness, firm size, and socialization on whether the merger was successful, but the results also show that "high attrition levels and high involvement from the public relations function were also positively related to formal socialization, suggesting that the PR function was tapped more frequently during mergers that were likely to encounter high conflict and high turnover" (Whalen 6). These findings serve as

evidence highlighting the important role public relations spokespeople play in the strategic development of communication in order to ensure the smooth integration during mergers and acquisitions. Whalen demonstrates how maintaining consistent, strong communication to critical internal publics plays a significant role in the outcome of a merger and acquisition.

An additional analysis from Nana Balle, a Danish employee at IBM, contributes to the literature emphasizing the importance of communication during mergers and acquisitions (Balle). The goal of the paper was to demonstrate the effectiveness of a communication model when faced with a merger and acquisition. Balle's narrative specifically looked at a model for integration communication and its role in a corporate setting. Balle used a case study and a model in order to provide an explanation as to the role of communication in acquisitions and issues of corporate identity and culture.

The case study analyzed the acquisition of a major multinational company of 3,200 employees in 2004. The acquiring firm is characterized as a significant publicly traded multinational corporation (Balle 56). The case study identified many of central and local media efforts pursued by the merging companies in order to determine the effectiveness of the differing communication channels during mergers and acquisitions. Central media channels included a series of town hall meetings hosted by core executives, intranet media with an interactive FAQ section, and a printed company magazine. On the other hand, local media consisted of "middle managers in the acquired company, being counted on as change agents to explain the integration efforts and keep employees 'warm,'" (Balle 57). Consequential employee perception of said media was analyzed to determine the usefulness and effectiveness of the communication. A surface-level analysis showed that approximately "80 percent of the employees would go to their middle manager to find an answer to questions about the integration process" and a low six

percent of employees found “the intranet and the FAQ” to be useful (Balle 57). Nevertheless, the study noted that nearly 70 percent of employees were content with communication from management during the integration process, which Balle described as a high satisfaction level given the complexity of mergers and acquisitions (Balle 58).

Balle detailed a more complex interpretation of the analysis. She notes that communication from central media sources are critical, especially during the post-acquisition period. Importantly, “the central media are ideal bearers of culture as they create a joint frame of reference for the employees and can use instruments and communication genres” to set the tone and demonstrate key company values (Balle 60). Essentially, the central media is a place for senior leadership to create corporate cohesion throughout the company. On the other hand, Balle demonstrates how local media are a critical mode of decentralized communication because mid-level managers have direct contact with employees. Mid-level managers offer communication spokespeople numerous advantages: “the possibility of translation, targeting at stakeholders, high credibility, relevance” (Balle 60). However, it is important to equip managers with the necessary tools to carry out their roles as change agents, which includes co-opting, facilitating mid-managers’ communication with employees, and peer networking. Balle shows how communication has the ability to stabilize the complex, turbulent process of mergers and acquisitions, as well as the critical strategic role communication and public relations play in the successful outcome of M&A integration.

Importance of Structured M&A Communication

Scholars have demonstrated the importance of structured approaches in M&A communication. As shown by Balle and Whelan, communication ensures the smooth integration of merging employees in the long-run. Furthermore, Balle and Whelan detail the effectiveness of said communication. McKinsey & Company also published research affirming the importance of structured communication during a merger. The management consulting firm says that "a strong communications strategy and plan promote business continuity by ensuring that the right messages are communicated and reinforced to minimize the anxiety of employees, boost morale, and retain talent" (Engert et. al). Organized communication can energize employees and reinforce relationships with partners and stakeholders, all contributing to a smooth merger and future company success (Engert et. al). It is important to note that literature about how a company should approach external communication during a merger and acquisition is limited. While this thesis will detail Pfizer and Allergan's outward communication efforts following the failed merger, this literature review serves as a foundation of how types of communication play a critical role in a company's strategic approach to a successful M&A transaction.

Literature Review of Communication Around Price Hikes

Communicating price changes is important in maintaining strong relationships with customers. A company must adhere to the principle of 'fairness' by clearly justifying why in fact a good or service experienced a price adjustment. Doing so demonstrates trustworthiness, which is important to strengthen brand loyalty and fortify positive customer relationships. Transparency on prices is critical to generating future business with new and existing consumers. The

following literature supports how applying these strategic takeaways in a price hike situation is important for the reputation of a company.

Literature focusing on the communication of pharmaceutical prices focuses on the way in which a company should approach conveying cost to customers. These pieces of literature illustrate the strategic importance of proper price communication for the health of a business, as well as its reputation. One notable article, *How to Communicate a Price to the Customers (2020)* by Zednka Vidrova and Lubica Gajanova from the University of Zilina in Slovakia, demonstrates how effective price communication enables a company to persuade customer bases to continue purchasing goods and services. The paper looks at guidelines that entities should adhere to when communicating new prices to customers. Furthermore, Vidrova and Gajanova outline effective communication tools during the process.

Vidrova and Gajanova approached the study by using a meta-analysis. Essentially, the meta-analysis looked to gather and summarize data from multiple independent studies with the goal to "identify and quantify the prevailing trends or to identify the causes of the different conclusions of the work" (Vidrova and Gajanova 508). The authors break the results down into two key sections, the first of which is "Communicating new prices to the market" (Vidrova and Gajanova 509). The paper emphasized the importance of considering the issue of 'fairness' when approaching the strategic communication of prices. They argue, it is important that a company justifies the reason for a price increase. Vidrova and Gajanova note that a just practice in this instance is to "announce such a change by letter, email or press release to all customers simultaneously and explain why price increases are necessary" (Vidrova and Gajanova 509). A company should not justify a price increase with a business need to increase market share, as this

will only invite competitive responses in the market space, which will show customers that the rationale for the initial price increase was not justified (Vidrova and Gajanova 509).

The authors leveraged an example of a price increase in the medical devices space to illustrate the importance of fair price communication. The company decided to increase the price of its well-known product by 40% to be competitive with other products in the market space. To mitigate negative responses from competitors and to be fair to consumers, the company announced the change three months in advance to allow customers to prepare for the price change. In addition, representatives from the organization "explained in individual meetings with important customers that prior to the price increase, the product was not generating sufficient returns to fund continued research and development (R&D)" (Vidrova and Gajanova 510). Not only did the company give customers time to adjust before the price change, but the organization also demonstrated how their intention to reinvest in R&D would later benefit consumers in the form of new, improved medical products (Vidrova and Gajanova 510). This example adheres to the justification (communicating why a price increased) that Vidrova and Gajanova stress earlier in the paper.

The paper also provides results and arguments on 'Guidance for improving company's price communication' (Vidrova and Gajanova 511). The section reinforces ideas explored earlier about the importance of informing clients about a price increase well in-advance of the implementation of the change. Following this practice enables consumers "to plan and adapt their budgets swiftly, with minimal impact to their bottom lines" (Vidrova and Gajanova 511). However, it is important that during this process, a company remains strong and resolute in their decision to adjust a price. Vidrova and Gajanova advise against apologizing for the price increase, as doing so will expose a weakness in the company, allowing customers to negotiate the

product price in question. The authors emphasize that "practicing up-front price communication proves trustworthiness and strengthens positive relationships between customers, sales team [and] company" (Vidrova and Gajanova 511). Price is a critical factor in how consumers perceive a brand and its inherent value. Companies must be conscious of how they communicate prices to consumers, always keeping in mind issues of fairness.

A paper by Andreas Krämer, titled *The Strategic Value of Price Communication (2020),* further contributes to the literature on communicating prices to customers. Krämer argues the idea of price communication needs to be integrated into the overall pricing process and strategy (Kramer 98). However, this task is becoming increasingly difficult in the current technological environment as "digitalization and real-time communication are leading to structural changes in the media and communication markets" (Krämer 96).

When faced with a situation of introducing the price of a new product, Krämer argues price communication is critical in order to have a profitable product. During this market introduction phase, a company must "build up the targeted price image through price communication" (Krämer 99). A company's failure to understand that price communication begins well before the product goes on the market can be detrimental to sales. This is the reason why Krämer argues integrating price communication in the overall pricing process and strategy is crucial.

The author also shows the importance of price communication in situations of price changes or adjustments. Similar to Vidrova and Gajanova, Krämer notes that perceived price fairness is important in maintaining positive relationships with customers. Whether the price adjustment was due to changes in variable costs, a demand shock, or a response to competitors, "it is important to explain the adjustment of prices to customers in a transparent and

comprehensible manner" (Krämer 99). In other words, price communication strategy should focus on justifying the price change in language that is understandable to the average consumer. This element of transparency is necessary if a company's goal is to retain clientele and maintain the brand reputation.

Scholars have shown the importance of transparent price communication. As shown by Vidrova and Gajanova, as well as Krämer, strategic, clear price communication is important for maintaining strong customer relations. Each paper emphasizes the issue of 'fairness' and why adhering to that principle will contribute to a company's long-term client relationships, which ultimately impacts profits and the bottom line. An article by Forbes underscores the value of the takeaways from these scholarly articles. Harvard Business School doctoral student noted the importance of being transparent with consumers about the rationale behind the cost of a good or service: "New research shows that when a company selling T-shirts, for example, itemizes what it spends on cotton, cutting, sewing, dyeing, finishing, and transporting each shirt, consumers become more attached to the brand and more likely to purchase" (Gerdman). The research also suggested that cost and price transparency does not negatively impact demand even with a price increase (Gerdman). An additional article from *Harvard Business Review* by Utpal M. Dholakia re-emphasizes the issue of fairness in pricing strategy by explicitly explaining why a price is increasing. Convoluted messaging can harm customer relationships, and customers "appreciate it when [brands] use helpful, transparent, and informative [price] influence methods" (Dholakia). Dholakia shows how frank, authentic messaging will land with customers and reinforce brand loyalty.

Being honest with consumers benefits brand perception and potential revenue. Literature shows the importance of communicating the price of a product or service to the customer in a

coherent, transparent way. Noting the justification for a price change is critical. This existing literature will play a significant role in the development of this thesis, especially with case studies that specifically focus on drug price hikes.

Literature Review of Communication Around Drug Contamination

During a crisis, being proactive is the name of the game. A company must commit to communicating in a swift, direct manner in order to protect the public's safety. In addition, the visibility and participation of senior management shows consumers that the company is allocating time and energy to resolving the crisis. The consequences of doing so have a positive impact on brand image. Clear communication during a crisis can greatly reduce negative impacts on both finances and reputation. The following literature supports how applying these takeaways in a drug contamination situation is important for brand image and customer relationships.

Much of the literature that focuses on issues of drug contamination uses the Tylenol crisis in the 1980s to demonstrate how a company should communicate safety issues about drugs and medicines to consumers and the general public. Leonard Snyder contributes to the literature on this topic with his paper, *An Anniversary Review and Critique: The Tylenol Crisis 1983 (1983).* While Snyder questions the quality of Johnson & Johnson's response to issues of cyanide poisoning with Tylenol in 1982, he notes that the crisis demonstrates the importance of basic public relationships principles and why the field is necessary to run an effective, efficient company.

In Chicago in 1982, an unknown individual put cyanide pills into Tylenol bottles, resulting in multiple deaths. Snyder claims that Lawrence G. Foster, Johnson & Johnson's vice

president of public relations, was initially slow in response as unconfirmed reports were released that detailed the possibility of use of cyanide as an analytical agent to test Tylenol (Snyder 25). This fact was later verified, as the use of cyanide occurred in the laboratory, not the manufacturing process, to test raw materials. Snyder notes that Foster created another public relations problem for the pharmaceutical company because "J&J's credibility was temporarily tarnished because it was forced to further explain - *after* allegedly telling the media that cyanide was not used at all - that it was used in the lab but not in the Tylenol manufacturing process itself" (Snyder 25). However, Snyder does credit Johnson & Johnson's quick decision to recall millions of bottles of Extra-Strength Tylenol, as well as to stop product advertising (Snyder 25). J&J made great use of the media to ensure the public was aware of the drug contamination issue.

Johnson & Johnson's swift action to warn consumers, medical professionals, and governmental agencies of the issue earned the company public sympathy and high marks for their apparent prioritization of public safety. For Foster and then CEO and Chairman James E. Burke, the decision to put public health ahead of profits was the clear decision for the company, especially given the financial strength and stability of the organization (Snyder 27). Snyder focuses on a lesson that Johnson & Johnson's communication team took away from the crisis, as Johnson & Johnson Assistant Public Relations Director James A. Murray emphasized that the company "learned that when public safety is an issue, full disclosure and cooperation with the media is an effective way to disseminate practical information quickly" (Snyder 27). In general, companies must understand that the role of public relations is to serve as a "corporate guardian of the public interest" (Snyder 29). Senior management and the company at-large must communicate accurate information to affected publics as soon as possible in order to maintain positive relationships with consumers and other stakeholders.

Despite widespread belief that Johnson & Johnson gave meaning to corporate social responsibility, Snyder writes that this belief is a "sugar-coated judgment" (Snyder 30). While Snyder notes the importance of full disclosure, his review states that the pharmaceutical company did not go far enough in assisting victims and their families. He views Johnson & Johnson's social responsibility claim as exaggerated: "While J&J managed to get the jump on its competitors by its marketing prowess in repackaging Tylenol as fast as it did, to imply it did so because of its social responsibility… is to overstate the truth" (Snyder 31). Nevertheless, the scholarly article underscores how effective, transparent communication in the face of a crisis is the sole way a company can build this genuine trust with consumers.

James A Benson's article, *Crisis Revisited: An Analysis of Strategies Used by Tylenol in the Second Tampering Episode 1988 (2009),* also provides important literature and details on communication about drug contamination. Benson argues that communication in situations of drug contamination can greatly reduce the negative ramifications of such a crisis. However, failure to address the situation in a strong, coherent manner may only serve to exacerbate the situation. The author focuses on three specific communication strategies during such a crisis: "allowing for strategic flexibility in the communication of corporate actions during the crisis; enactment of a proactive communication stance; and utilization of two important corollary crisis communication strategies" (Benson 52). In the paper, Benson primarily focuses on the importance for a company to be proactive in their response to a situation that involves public safety concerns.

Johnson & Johnson faced another safety issue with its Tylenol product in February of 1986 when a woman in New York died after taking two Extra-Strength Tylenol. Benson praises Johnson & Johnson's response team for immediately removing Tylenol capsules from shelves in

the market, and the company "publicly concurred with a warning by the FDA against use of Tylenol capsules from lot ADF 916" (Benson 52). Benson demonstrates why this swift, proactive response was key in demonstrating to the public and governmental agencies that Johnson & Johnson was hyper-focused on the issue, with public health as the priority. In an additional step to remain ahead of the media and other agencies, Johnson and Johnson's senior leadership, including CEO and Chairman James E. Burke, held regular press conferences to communicate directly to the public about informational updates and what steps the company was taking to ensure the safety of the public (Benson 58). The immediate response earned praise from *The New York Times* and "President Ronald Reagan even applauded the company for its social responsibility and grace under pressure" (Myszka 17). Benson argues that Johnson & Johnson was smart in leveraging its senior management to address the media and the public. The proactive strategy of keeping important corporate spokespeople visible is crucial because "it conveys important unspoken messages at the same time that the spokespersons are articulating their organization's messages" (Benson 58). This high visibility demonstrated that senior management was aware of the issue and was diligently working to address the situation.

Benson's paper explains how J&J's response, while initially swift, was also ambiguous. Despite the use of vague details, the pharmaceutical company provided necessary information to consumers about safety concerns. This communication strategy "provided time for a management team to analyze the situation thoroughly prior to acting upon [a] decision to recall" the specific Tylenol product (Benson 54). While satisfying the public's need to understand the situation, Johnson & Johnson, behind the scenes, was able to gather information on the potential impact a recall decision would have on consumers and the company. In a press conference, Burke announced the recall, and he noted that consumers in possession of the drug could get a

full refund or trade the Tylenol capsules for Tylenol caplets. Benson stresses that the handling of this announcement "defined the company's action in a manner that focused attention away from concern about protecting the *firm* and upon the *safety of the consumer*" (Benson 56). The communication strategy was effective. Over 90% of consumers who returned Tylenol chose an exchange rather than a cash refund. Furthermore, market research 12 weeks after the crisis suggests that Johnson & Johnson handled the crisis like professionals, as 37% of consumers mentioned Tylenol would be the brand of analgesic next time, and only three percentage points off a record high before the cyanide crisis (Benson 63).

Scholars have shown the importance of proactive, direct communication during a drug contamination crisis. As shown by Snyder and Benson, Johnson and Johnson's consistent, proactive, and prompt communication was key in protecting the company's reputation. The company was forthcoming with information, and its action showed that its priority was public safety. Snyder and Benson's demonstration of this crucial public relations lesson can be the difference between a firm that builds an impressive response and one that sees their company reputation tarnished. A review in Elsevier by Holland et. al on being transparent in crises confirms these takeaways. Holland et. al's study looked at how to construct a coherent communication strategy in the face of a crisis. The group found that "high transparency messages resulted in more positive perceptions of the organization" (Holland et. al 1). Transparent communication contributes to greater levels of credibility and higher public perception in an organization (Holland et. al 9). Literature on the communication of drug contamination demonstrates the importance of building a strategic communication response that focuses on being proactive, prompt, and forthcoming with information. This literature serves as foundational information when the proposed thesis explores a recent Johnson & Johnson case

study: how the pharmaceutical company responded to safety indicators on their COVID-19 vaccine.

Methods

The use and analysis of case studies served as the methodology of this thesis. A successful case study will identify an issue that some organization faced that required a significant response from a public relations or communications team. The analysis provided complete, detailed background information on the company itself, as well as the situation in question. Consequently, the case study noted multiple key public relations takeaways or strategies that the organization employed or failed to implement in order to address the issue. The goal of this exercise demonstrated some of the necessary lessons and considerations a public relations specialist must consider when faced with a specific situation.

It is important to note the purpose of case studies. Their core functionality is "to explore specific occurrences in a more in-depth manner than other approaches may permit" (Flyvbjerg, 2006). In essence, the development of an argument analyzes a range of pertinent factors - social, ethical, and business - in order to peel back the layers of an event and determine best practices going forward. Gathering information is typically conducted with a qualitative mindset because this form of analysis "seeks to systemically examine content in hopes of finding greater context and meaning" (Cabosky 45). Use of mainstream news, organizational documents, and interviews is common practice (Cabosky 46, 48, 53). Case studies contribute to literature and debates by uncovering and synthesizing details. As a result, new questions are asked and novel

understandings are discovered. This method strengthens the foundation upon which future academics continue scholarship (Flyvbjerg).

In this thesis, four case studies were analyzed in-depth. In order to explore key public relations takeaways in the instance of a failed merger and acquisition in the pharmaceutical space, Pfizer's unsuccessful M&A deal with Allergan in 2016 was chosen because both organizations are well known entities within the pharmaceutical space. In addition, the case involves many impacting factors, such as government action and tax code law, which brought more complex dimensions to the case study. Information regarding the companies' responses to the situation was plentiful, so this thesis had the opportunity to develop an appropriate argument based on evidence and data.

This thesis examined two cases to explore some of the important lessons that those in the public relations and communication spaces should be aware of in the instance of backlash to price increases in the pharmaceutical space. The first case explored was Mylan's price increase of its Epinephrine Auto-injector (EpiPen). Mylan's public relations crisis occurred in 2016, so there was a significant amount of information on how the company responded to the situation. This availability of data, including a series of TV interviews and congressional testimonies from Mylan's CEO, was the key reason why this case was selected. Controversy about the price of EpiPens for individuals who require the medicine for severe allergies is a well-known issue. Government involvement and public attention added complexity to the case study analysis. To pair with Mylan's case, this thesis selected an additional case to demonstrate public relations takeaways in response to price hikes in the pharmaceutical industry: Martin Shkreli and Turing's decision to increase the price of Daraprim by 5,000% overnight. The choice to analyze this case was also because the issue received significant public attention in 2015. The case involves

congressional testimonies, presidential campaigns, and a CEO that acted completely differently from what one would expect for a leader of a company. This unique case brought more depth to the thesis and demonstrated additional takeaways for public relations specialists in the pharmaceutical space if they are forced to deal with a similar situation.

This thesis explored Johnson & Johnson's recent response to safety issues regarding its COVID-19 adenovirus-based vaccine in order to demonstrate and explore key public relations takeaways for pharmaceutical companies that need to respond to drug contamination issues. The Johnson & Johnson COVID-19 vaccine case was selected because of the global impact the situation of contaminated doses had on the effort to fight against the pandemic. Furthermore, the focus on Johnson & Johnson as a company is important to note, as the firm, in the 1980s, was extremely successful in responding to contamination and poisoning issues with Tylenol. Analyzing whether the company employed similar public relations tactics in 2020 and analyzing their success reaffirmed some of the basic public relations principles that specialists in the pharmaceutical field need to employ in similar situations.

Synopsis:

Pfizer Background:

Pfizer is a multinational, American pharmaceutical and biotechnology entity, headquartered in New York City, New York. The company is known for the development and production of cutting-edge pharmaceuticals and vaccines in the spaces of immunology, oncology, cardiology, and neurology. The now pharmaceutical giant was founded by Charles Pfizer and Charles Erhart, two German immigrants, in Brooklyn, New York in 1849. Throughout Charles Pfizer's life, his company experienced business expansion every year, with sales in 1906 exceeding three million dollars. Despite the death of one of its founders, Pfizer continued its surge ahead in revolutionizing medicine and pharmaceuticals.

Pioneering projects in the early twentieth century to mass produce citric acid from sugar through mold fermentation and to develop a fermentation-free method for producing vitamin C boosted general brand awareness (Pfizer). However, it was Pfizer's wartime effort in World War II to produce penicillin, the "miracle drug," for the United States Government that ensured the company's profitability for decades to come. The 1950s saw Pfizer's inevitable global expansion, with fermentation plants opening in Great Britain and pharmaceutical facilities commencing production in Mexico, Italy, and Turkey. Pfizer's acquisitions of entities, such as Mack Illertissen, in the latter half of the twentieth century marked an important shift in the company's focus towards Research & Development, which would prove to be a critical long-term investment. Pfizer's drug discoveries continued to transform consumers' lives and the pharmaceutical industry at large. Glucotrol, Feldene, Viagra, Zithromax, and Zoloft quickly

became household names, leading to Fortune magazine naming Pfizer "the world's most admired pharmaceutical company" (Pfizer).

The beginning of the twenty-first century witnessed the acceleration of R&D investment for the pharmaceutical firm, with the creation of Pfizer Worldwide Research and Development emerging following the appointment of Ian Read as Pfizer's Chief Executive Officer. Pfizer continued to develop therapeutics and pharmaceuticals, leveraging new technological tools, such as IBM Watson, to accelerate drug discovery. However, it was not until the emergence of SARS-CoV-2, the virus that causes COVID-19, that Pfizer would face a true test. Nevertheless, partnering with German pharmaceutical BioNTech, Pfizer developed a highly efficacious mRNA vaccine (BNT162b2) to combat a virus that ravaged societies, economies, livelihoods, and individuals. The vaccine was the most consequential scientific breakthrough in a century, a success Charles Pfizer and Charles Erhart would dream of in 1849. Pfizer proved that they were one of the most powerful and impactful firms in the pharmaceuticals industry.

Despite the company's undeniable contribution to modern medicine and pharmaceuticals, Pfizer's historical attempts to grow by means of acquisition faced serious challenges and financially consequential roadblocks. In late 2015, Pfizer announced a merger deal with Allergan, a pharmaceutical company that develops, manufactures, and takes to market name brand therapeutics and medical devices. Allergan's headquarters moved to Dublin, Ireland following a merger with Actavis. The Pfizer-Allergan merger deal, if completed, would become the largest pharmaceutical deal in history (Pilkington). Pfizer planned to officially move its headquarters to Ireland following the transaction. However, the United States Department of Treasury announced new actions in the American tax code on April 4, 2016, to prevent inversion transactions. An inversion deal is one in which a company relocates their headquarters on paper

to a more "favorable tax environment in order to benefit from lower corporate taxes" (Pilkington). Companies do so by appearing to be bought by a smaller entity. In fact, in March 2015, before the U.S. The Department of Treasury changed the law, Allergan used its merger with Actavis to move its headquarters to Dublin in order to reap the benefits of the more generous tax structure, a clear example of business inversion. The corporate tax of 12.5% in Ireland is quite appealing for profit-motivated companies compared to the 39% in the United States.

Following the Treasury's actions, Pfizer and Allergan completed a review of the impact the new inversion laws would make on the proposed merger. Both pharmaceutical companies concluded that the merger under the new laws and regulations would qualify as "Adverse Tax Law Change" (Martin) Pfizer announced in a statement the termination of the merger agreement with Allergan Plc due directly to the tax code changes from the U.S. Department of Treasury. The $160 billion agreement termination was a key victory for then President Barack Obama, who sought to eliminate tax-dodging corporate merger agreements. Per the merger agreement, Pfizer paid Allergan up to "$400 million for expenses as a result of terminating the deal" (Humer and Pierson). Pfizer CEO Ian Read was not hesitant to express his sentiments regarding the situation to the public. In an opinion piece in the *Wall Street Journal* titled *Treasury is Wrong About Our Merger and Growth,* Read argues that the Treasury created an environment that gives a significant competitive advantage for foreign companies looking to acquire, which could hurt the supply for jobs in the United States. He notes that the unilateral action directly targets the Pfizer-Allergan deal but will go on to disadvantage others in the future (Read).

The failed merger came just two years after Pfizer's unsuccessful bid to acquire British rival AstraZeneca in order to also lower taxes. Now without Allergan's evolving portfolio of

medicines, questions quickly arose from investors about the future of Pfizer and whether the pharmaceutical giant should pursue a strategy of separating its businesses in order to become a more focused, agile company (Bray and Thomas). Others asked if Pfizer should look to acquire another company with attractive therapeutics and products, such as Regenron Pharmaceuticals Inc or Biogen Inc. CEO Ian Read noted the company would make a decision regarding the issue by the end of 2016. Pfizer CFO Frank D'Amelio later in 2016 announced Pfizer would not split into two separate publicly traded companies as it "would not enhance the cash flow generation and competitive position of the business and the operational disruption," as well as a series of increased costs (Reuters, September 26, 2016). Simply put, Pfizer's inability to acquire Allergan muddied the waters for the firm's future and competitiveness.

Johnson & Johnson's Background:

Johnson & Johnson is an American multinational pharmaceutical corporation headquartered in New Brunswick, New Jersey. The firm focuses on developing and delivering a range of medical devices, pharmaceuticals, therapeutics, and consumer packaged goods. Johnson & Johnson founder Robert Wood Johnson maintained a strong interest in healthcare and pharmaceuticals during the American Civil War. At 16, Johnson started a pharmaceutical apprenticeship at an apothecary. However, it was until he heard of antiseptic surgery, an emerging procedure to treat infection, that Robert Wood Johnson joined his brothers, James Wood Johnson and Edward Mead Johnson, to create a company that could provide sterile surgical dressings (Johnson & Johnson: Our Story). The founding of Johnson & Johnson marked a turning point for the mass production of sterile surgical supplies. Johnson & Johnson made

sterile surgery a realization, changing the ways in which surgeons approached procedures and safety. Johnson & Johnson issued an Initial Public Offering in 1944. Growth for the pharmaceutical company followed the acquisition of McNeil Consumer Healthcare in 1959. Shortly thereafter, Johnson & Johnson started selling Tylenol, which became an over-the-counter medicine in 1961. The drug is arguably the company's most successful product on the market as it is the most frequently recommended pain killer in countries around the world (Rupp and Saraiva). Growth prospects continued after J&J acquired Belgian research and drug company Janssen Pharmaceuticals. The acquisition proved to be critical for Johnson & Johnson's drug development program, especially during the COVID-19 pandemic.

While Johnson & Johnson's growth quickly cemented their name as a household name, the company's journey encountered many hiccups along the way, most notably, a series of Tylenol poisonings. Multiple individuals died in Chicago during the 1980s after an unknown individual tampered with the acetaminophen tablets. While the poisonings were a tragic event, Johnson & Johnson used the moment to flex their public relations prowess and lead changes in the way in which pharmaceutical companies package medication to ensure consumer safety, such as placing an aluminum safety seal on bottles of medicine. Critics hailed Johnson & Johnson's PR response; it was a class example of how a large organization should handle a developing crisis (Czabovsky). Johnson & Johnson emerged from the Tylenol incident a stronger firm, which was important for the COVID-19 pandemic. The company, with Janssen, was able to successfully develop and bring to market, relatively quickly, an adenovirus-based vector vaccine (Ad26.COV2.S) to fight the pandemic. However, Johnson & Johnson's success was overshadowed by faults in the vaccine manufacturing process as well as payments to state and local governments for opioid settlements. Nevertheless, fiscal revenue data in the twenty-first

century, including throughout the pandemic, proves just why Johnson & Johnson is the wealthiest pharmaceutical companies in the world, with a market cap of around $435 billion at the beginning of 2022.

While Johnson & Johnson's success in the pharmaceutical industry is undeniable, the company has faced a series of drug contamination issues, most recently, with their COVID-19 vaccine. After receiving Emergency Use Authorization from the Food and Drug Administration (FDA), Johnson & Johnson intensified efforts to manufacture and distribute vaccines worldwide. In order to do so, the pharmaceutical giant partnered with Emergent BioSolutions, a multinational biopharmaceutical entity located in Maryland. The partnership on paper made sense since Emergent BioSolutions specializes in the development of vaccines and antibody therapeutics for emerging infectious diseases (Emergent BioSolutions). However, vaccine problems for Johnson & Johnson quickly racked up in the first half of the 2021 fiscal year. First, the Biden administration brought the distribution and administration of the Johnson & Johnson vaccine for a few days to gather and analyze data after a series of reports of cerebral venous sinus thrombosis (CVST) following administration of Ad26.COV2.S. CVST "occurs when a blood clot forms in the brain's venous sinuses," which means blood cannot drain from the brain and can result in a hemorrhage (Johns Hopkins Medicine). A risk-benefit analysis reviewed by the Centers for Disease Control and Prevention (CDC) determined that the United States should resume the administration of the Johnson & Johnson vaccine as the probability of an adverse reaction does not outweigh the benefits.

The problems and negative headlines for Johnson & Johnson were just beginning. In March of 2021, the Food and Drug Administration did not approve the release of 15 million doses of the Johnson & Johnson vaccine due to cross-contamination concerns at the Emergent

BioSolutions Baltimore manufacturing facility (Department of Health and Human Services - Food and Drug Administration). The announcement was not a surprise to many officials because the FDA voiced concerns in a 2020 inspection report that cited issues of poor training of workers at the facility. The incident occurred when raw batches of the Johnson & Johnson vaccine were contaminated with ingredients from AstraZeneca's coronavirus vaccine, another one of Emergent's clients. In addition, reports of residue and failure to follow procedures led the FDA to step in. Cross-contamination, according to former FDA Investigator and Manufacturing Inspections Official Peter D. Smith, "could lead to significant adverse medical events" (Rowland). Emergent responded by underscoring its efforts to quickly correct the issues. Consultants and professionals quickly questioned why Johnson & Johnson failed to pick up on the problems. Johnson & Johnsons stated in a press release that they were working with governments and health authorities to rectify the situation and stressed that safety remained the company's top priority. The company noted that they would provide an additional 30 experts in manufacturing, technical, operations, and quality to be at the Emergent facility to ensure procedures were being followed.

While Johnson & Johnson provided additional personnel to oversee the production and filling of its COVID-19 vaccine, the Food and Drug Administration once again halted the distribution of up to 60 million doses in June due to concerns of contamination (Nathan-Kazis). The second major slip-up at the Emergent BioSolutions plant spelled public perception trouble for Johnson & Johnson, as hopes for stemming the pandemic were dampened by concerns of safety. However, the FDA did grant authorization for the release of two batches of the vaccine, adding up to 10 million doses, after strict quality-control reviews, which the pharmaceutical giant chose to highlight in press releases to underscore their efforts to end the pandemic. The

FDA also noted that a decision to reopen the Emergent plant would be postponed. A few days later, in July, Johnson & Johnson was back to press releases to quell concerns regarding rare cases of Guillain-Barré syndrome, a neurological disorder, following administration of the vaccine. Johnson & Johnson's issues with their COVID-19 vaccine opened questions as to whether the firm would remain the industry leader.

Mylan Background:

Founded in 1961 by Milan Puskar and Don Panoz, Mylan is a pharmaceutical company that focuses on global generics and specialty pharmaceuticals. Headquartered in Canonsburg, Pennsylvania, Mylan in 2020 merged with Pfizer's off-patent medicine division, Upjohn, to form Viatris. While the company is not one of the world's largest pharmaceutical firms, Mylan develops and produces important medications for oncology, immunology, infectious diseases, and anesthesia (Blackwell). For the first two decades of its existence, Mylan was not a significant player in the industry when compared to the giants of Pfizer and Johnson & Johnson. That all changed though in 1984 with the passage of the Drug Price Competition and Patent Term Restoration Act (Public Law 98-417). The Act, also known as the Hatch-Waxman Act, encouraged the production of generic drugs, which allowed Mylan to gain value and a foothold in the space (Hatch-Waxman Letters). Revenue generated from selling generics to the market enabled Mylan to acquire a series of companies at the end of the twentieth century, including Bertek Inc. and UDL Laboratories. Mylan quickly rose to the second largest generics company. However, a decision at the management level to raise prices significantly triggered an

investigation from the Federal Trade Commission, which ended with a company payout of around $150 million in 2000.

October 2007 marked Mylan's most important product acquisition. The firm acquired Merck KgaA for $6.6 billion, creating access and rights to the EpiPen, a product that controlled 90% of the market. The decision proved to be fruitful in the decade that followed. According to the Security and Exchange Commission, in 2008, Mylan sold a total of 4.3 million EpiPens for a revenue figure of $184 million. In 2015, EpiPens sold nearly doubled to 8.3 million, but revenue came in at a whopping $912 million (SEC Archives). The factor discrepancy between EpiPens sold and revenue underscores the fact that Mylan exponentially raised prices for consumers over 8 years. Profits from EpiPen gave Mylan additional capital to acquire other companies in the 2010s. The company acquired the generic drugs business of Abbott Laboratories; Meda was bought for $9.9 billion in 2016 as well as Renaissance Acquisition Holdings dermatology division. The merger with Pfizer's Upjohn to form Viatris in order to continue selling over 7,500 products, with biosimilars and generics at the center of the business.

Mylan reaps the benefits of producing and selling generics on the market, especially with the EpiPen, a necessary, life-saving drug for those who succumb to severe allergic reactions. However, in 2016, Mylan came under fire from the public and government officials after news outlets highlighted that the retail cost of a pack of EpiPens stood over $600. Public outrage ensued and Mylan was found in the crosshairs of the 2016 presidential campaign. Furthermore, testimonies to the House Oversight Committee on price increases placed a brighter spotlight on the issue. Mylan Chief Executive Officer Heather Bresch, daughter of West Virginia Senator Joe Manchin, attempted to conduct damage control by speaking with news outlets, such as CNBC, as well as turn blame towards the health-care system as a whole. The Mylan CEO in a CNBC

interview said that Congress failed to correct the system, which led to an avoidable problem of skyrocketing drug prices that, according to Bresch, pharmaceutical companies did not have much control over. Bresch noted that insurers and intermediaries, such as wholesalers, are key reasons as to why the price of EpiPens became inflated (Balakrishnan and Mangan). She also stressed that net sales for the pack of EpiPens is not that significant of a margin, even though Mylan marks a revenue of $274 per pack of EpiPens (a pack of EpiPens contains to live EpiPens and one "trainer" EpiPen). In addition, Bresch outlined a series of Mylan's programs to ensure equal access to EpiPens, including EpiPen4Schools, a program aimed to ensure all schools are able to have EpiPens on-hand at a discounted rate.

Lawmakers and the public were still outraged over the situation. In response, Mylan announced a series of steps to help consumers unable to afford the life-saving drug, including increased rebates and increased eligibility for an existing assistance program. Mylan's decision to address or not to address the issue would not break the company because at the time, the EpiPen-maker controlled 90% of the market. This strangle on the market was even strengthened when Sanofi, who produced a more compact delivery system for the epinephrine called Auvi-Q, was forced to recall the product after concerns the Auvi-Q delivered an inaccurate dose of the adrenaline. Demand for EpiPen was extremely inelastic, so efforts to temper public outcry were with public perception in mind. Calls for Mylan to lower the price were backed with little leverage, and Bresch underscored Mylan's inability to meet existing demand if the company decided to do so. Mylan pointed their finger back at the healthcare system and how it incentivizes higher prices. Bresch called the American healthcare system one that is inefficient, unadaptable, and outdated. Nevertheless, Bresch said she and her company would continue to work with legislators and advocacy groups to ensure affordable access and raise awareness of the

need to give school districts across the nation EpiPens in case of emergency. Mylan would not comment on whether the company would continue to raise prices in the future, but since the initial public outcry in 2016, EpiPen 2-Pak Retail Prices continued to increase. Mylan still maintains a strong positioning in the EpiPen market, but its future with the product will be tested in years to come with the re-emergence of Auvi-Q in the past two years.

Turing Pharmaceuticals

Turing Pharmaceuticals, now known as Vyera Pharmaceuticals, is a private company founded in February 2015 by Martin Shkreli. Incorporated in Zug, Switzerland with additional officers in New York City, New York, the small pharmaceutical firm is known for the production and distribution of Daraprim and Vecamyl. Turing is one of the younger players in the industry, and its founding came on the back of an acquisition of three drugs from drug developer Retrophin: an intranasal formulation of ketamine, a nasal solution composed of oxytocin, and Vecamyl. Later in 2015, Turing Pharmaceuticals acquired the marketing rights in the United States for Daraprim from Impax Laboratories (Timmerman). The company's pipeline is not one that would attract investors; there are only two products that are in a Phase I and Phase II Clinical Trial.

While Turing Pharmaceutical's history may not pique the interest of many, its founder and former Chief Executive Officer Martin Shkreli is a name most likely know due to television appearances that exhibit his outlandish, stubborn behavior. A former hedge fund manager, Shkreli founded Turing after leaving MSMB Capital Management and Retrophin, two other companies that he founded. Many of Martin Shkreli's public appearances resulted in looks of

astonishment from interviewers. His personality and persona did not match fellow Chief Executive Officers in the pharmaceutical space. In 2017, Shkreli was charged and convicted in a federal court on counts of securities fraud, sentenced to seven years in prison and over $7 million (Romo). It is important to understand who Martin Shkreli is because Shkreli is the company and Turing is Shkreli. In other words, Martin Shkreli maintained virtually control over every aspect of the small pharmaceutical firm, including public relations efforts.

Controversy for Turing Pharmaceuticals started early in the company's history. On August 10, 2015, the same year Martin Shkreli founded the company, Turing acquired the exclusive rights in the United States to Daraprim from Impax Laboratories for $55 million. Used with an array of other medications, Daraprim can be used to treat toxoplasmosis, which is a parasitic infection of the body, brain, or eye. At the time, the price for a pill of Daraprim stood at $13.50. However, Shkreli effectively overnight raised the price of the drug to $750, over a 5,000% increase (Timmerman). Turing claimed the company was collaborating with healthcare systems to ensure access, but a Twitter response from Shkreli describing the move as "a great business decision that also benefits all of [their] stakeholders" created an inferno (Timmerman). New outlets, elected officials, and the general public voiced their anger online. Shows, such as CNBC and NBC, immediately invited Shkreli on live television to comment about the breaking story. Shkreli stuck to his guns by defending the significant increase in price for Daraprim as necessary for Turing to earn a profit and to further Research & Development in order to create a better version of the drug. Doctors, however, stressed that such a venture was not necessary, given Daraprim's already high rate of success in treatment protocols (Tirrell). Shkreli's comments on television and online demonstrated his lack of empathy for the situation, as evident

in him making a joke on the price increase on CBS News. Within the first two days of the story, Shkreli maintained that Turing would not change the price of Daraprim.

The world was quick to label Martin Shkreli the “bad boy” of Pharma, a label he reveled in. However, after two days of intense criticism and denunciation, Shkreli admitted that given the public anger, it made sense for Turing to re-evaluate Daraprim’s price and lower it. However, this decision to do so came too late, as presidential candidates placed the issue at the forefront of their campaigns for the following days. All the attention landed Martin Shkreli in front of the House Oversight Committee, which was investigating drug price hikes. Despite questions from both sides of the aisle, Shkreli, following each question, chose to invoke his fifth amendment. His smirks and laughs played on replay on news outlets following the brief, inconsequential testimony. Simply put, Turing’s price hike on Daraprim showcased a brash Martin Shkreli who negatively transformed his company’s image as well as his own.

Pfizer Analysis

1. **In the event of a failed merger, emphasize the strength of your company as a standalone entity.**

Whether a merger organically or inorganically breaks down, questions, hypotheses, and concerns will quickly arise regarding the future of the company. Investors will analyze whether a pharmaceutical company will deliver on key financial metrics and if they can continue to develop, produce, and distribute new drugs to generate profits for shareholders. When a pharmaceutical entity finds themselves in a situation in which they need to respond to a failed merger, producing a strong, convictive response from influential, upper management, such as the chief executive officer, is key. This combined with details and examples for why the company will continue to deliver a s business will allow the entity to recapture the confidence of investors and clientele.

In the case of the failed Pfizer-Allergan deal, both companies from an individual standpoint felt the sense of urgency to emphasize the strength and the future prospects of the company as a standalone entity. Brenton L. Saunders, better known as Brent Saunders, served as the CEO of Allergen during the failed merger. Following the announcement of the termination of the Pfizer-Allergan merger, Saunders was quick to make an impactful appearance on CNBC, one of the most watched television networks that focuses on finances and the stock market. Saunders dedicated a significant portion of his airtime to reassuring investors and the public of the fact that Allergan remained in a strong position to deliver substantial growth in both the short and the long-term. In a statement released before the CNBC interview, Saunders noted Allergan's disappointment "that the Pfizer transaction will no longer move forward, [but] Allergan is poised

to deliver strong, sustainable growth built on a set of powerful attributes. Leading therapeutic franchises with strong brands across seven therapeutic areas provide the foundation for continued strong growth in 2016 and beyond" (DiChrisopher and Faber). This message of a healthy, diversified portfolio of drugs on the market and in the company's pipeline was important because it highlighted Allergan's confidence in its ability to continue to generate high profits and returns for shareholders. It was a message of strength, and the CEO's tone convinced investors of the company's ability to develop and sell emerging drugs and therapeutics.

Saunders leveraged the identical positive business outlook from his statement during his conversation with Jim Cramer on CNBC. When pushed on the future strength of the company, Saunders reiterated and highlighted that Allergan's "standalone business is the best in class, so we are going to have no issue pivoting forward here. We are going to have no issue being a strong, pro-pharma company with an open science pipeline of 70 late-stage and mid-stage products to fuel that growth" (DiChrisopher and Faber). Saunders maintained a clear message. His company would continue to generate growth despite not being able to merge with Pfizer. Saunders had conviction during the CNBC interview, and his strength ensured investors did not lose interest in the company's drug and therapeutics portfolio. Allergan even held a special investors call the same day to convey a message of strength and positive financial and drug development outlook. Despite the failed merger with Pfizer, Allergan successfully used an individual in upper management to reassure its publics that the company as a standalone entity would continue to deliver to its clients and to its shareholders.

One could argue that Pfizer carried a heavier burden of ensuring its publics that the company would continue to be an influential player in the industry. Pfizer released a series of press statements; however, it was Pfizer CEO Ian Read's opinion piece in the Wall Street Journal

titled *Treasury is Wrong About Our Merger and Growth* that served as the company's main response to the situation. The scathing language in the piece took direct aim at the Treasury's actions to limit Pfizer's ability to be competitive with its international peers. Pfizer leveraged its CEO to respond to the situation. Read maintained "the financial strength and flexibility to pursue attractive business development and other shareholder friendly capital allocation opportunities" (Read). Pfizer would continue to "remain focused on continuing to enhance the value of [their] innovative and established businesses," according to Read (Read). Nevertheless, criticism still circled from multiple angles. To start, many shareholders questioned why Pfizer pursued a deal wherein they offered to buy Allergan for a premium. Investors felt vulnerable and as if no one was standing up for their interests as shareholders. There were calls for Pfizer to break up its business. However, Ian Read's statements quelled such concerns, and he brilliantly provided a concrete timeline of when the company would make a decision on breaking up the business. Read remained resolute in his positive financial outlook for Pfizer. His conviction and leadership reassured investors and ensured Pfizer would remain a big player in the space.

Ultimately, Pfizer's Chief Financial Officer Frank D'Amelio communicated that the company "concluded that splitting into two companies at this time would not enhance the cash flow generation and competitive positioning of the business and the operational disruption, increased costs of a split and inability to realize an incremental tax efficiencies would likely be value destructive" (Reuters). The announcement did not cause shock waves for Pfizer's publics because Ian Read set a precedent and an expectation that the company would make an evidence-based decision that positively contributed to all publics. Pfizer and Read successfully outlined the strengths of the company as a standalone entity by giving a reasonable, clear timeline on business decisions and why those decisions would yield financial benefits.

2. **Not even the most powerful, influential companies can challenge and beat the political system.**

Governments, especially that of the United States, control the rules of the game. Whether a company likes it or not, the government will play some role in its ability to pursue its business plan and generate profits. Even the most powerful companies in the world, such as Apple, Google, and Microsoft, must understand that they are at the mercy of the government and its laws. Management at a firm should be aware and prepare for a sudden change or adjustment to the rules of the game. The government will always have the final say.

In the Pfizer-Allergan case, the Treasury's decision to adjust tax laws to crack down on tax inversion was the nail in the coffin, and neither company had the power to reverse or challenge the decision. When asked about being blindsided by Jim Cramer on CNBC, Brent Saunders noted that he viewed the situation as being unfair: "We built this deal around the law, the regulations, all the notices that were put out by the Treasury and it was a highly legal construct. We followed the rules that Congress had set for companies looking to move to a foreign domicile. For the rules to be changed after the game has started to be played is a bit un-American" (DiChrisopher and Faber). This just proves that a company can follow the rules to a 'T' throughout the entirety of the process, but the government maintains significant power in changing the landscape of rules and laws, which consequently may impact the outcome of the company's endeavor at hand. Public relations specialists in the field must be aware of the possibility of such a situation and understand that the company likely does not have the ability or power to challenge the government.

Pfizer CEO Ian Read similarly expressed frustration over the Treasury's new interpretation of the United States tax laws. Reid described the move as "ad hoc and arbitrary

attempt to single out and damage the growth opportunities of companies operating within the current law; [it] is unprecedented, unproductive and harmful to the US economy" (Read). However, the public relations professional must understand that the government possesses the awesome power to create and remove laws without notice and input from private entities. Read continued in his opinion piece by stating how the Treasury's interpretation and action on tax code would make American companies less competitive in acquisition situations, which could impact the number of jobs an industry could create for the workforce. Pfizer claimed that they are forced to invest on a significantly smaller scale. It puts them at a disadvantage of even doing business in the United States. Read highlighted a potential ramification for pharmaceutical companies as a result of the Treasury's decision: "The real-world consequences are significant. In Cambridge, Massachusetts, where Pfizer has a state-of-the-art research lab we are surrounded by foreign-owned competitors' facilities. When those companies invest in their facilities, it is often as much as 25-30 per cent cheaper than every dollar we put into research and jobs. Why? Because our competitors don't have to pay the penalty imposed on US corporations bringing earnings back to America" (Read). Read's criticism and plea did not receive a second look from the government. The Pfizer CEO could write as many opinion pieces as he wanted, but nothing would change the government's decision. At the end of the day, the government prioritizes its interests, not those of a private entity.

Both Saunders and Read stated that the Treasury's actions directly targeted Pfizer and Allergan. Specifically, a three-year look-back provision did not apply to other merger deals. In his opinion piece, Read acknowledged that pharmaceutical companies are at the mercy of the government and its decisions. He expressed the important lesson for public relations professionals that the government will always win: "If the rules can be changed arbitrarily and

applied retroactively, how can any US company engage in the long-term investment planning necessary to compete? The new 'rules' show that there are no set rules. Political dogma is the only rule" (Read).

3. **Coordinating responses between companies is key. Doing so is key to maintaining control over the narrative.**

The following sections focus on two distinct sub-sections. The first analyzes the importance of being consistent with the information that is released to the public. The second part explains why companies should emphasize the aspect of leaving a deal on good terms and what ramifications that has for the business.

3a) Releasing the same, accurate information is important in order to remain consistent and limit additional confusion.

Companies can demonstrate a high degree of cohesion by releasing joint statements or by ensuring information in separate, company-specific press releases or posts do not deviate in terms of content or information. In other words, companies in the pharmaceutical space need to be on the same page when a failed merger is announced. Consistency of information is critical because publics and news outlets consequently cannot create their own story. Pharmaceutical companies should control the narrative. Losing control of the story could exacerbate issues and increase the quantity of questions the public relations team needs to respond to. Stories that are extremely negative, out-of-context, or hyperbolized could be damaging to a pharmaceutical company's valuation and reputation.

In the case of the failed Pfizer-Allergan merger, both companies agreed to release joint issue statements to ensure that investors, the media, and the public were hearing one, consistent story. For example, on Monday, April 4, 2016, Pfizer and Allergan issued a statement following the Department of Treasury Notice on updated interpretations and actions to the US tax code: "We are conducting a review of the U.S. Department of Treasury's actions announced today. Prior to completing the review, we won't speculate on any potential impact" (Pfizer and Allergan Issue Statement). While the companies did not give many details on the situation, they were united in how they wanted to handle reacting publicly to the situation. If one or both companies responded in a hysterical and divergent manner, a news story would be born, adding to the already difficult task of addressing the failed merger. Pfizer and Allergan ensured subsequent statements, opinion pieces, and television appearances contained precise, parallel information, in terms of numbers, contract conditions, and sentiments towards the Treasury's actions. Pfizer and Allergan were successful in controlling the narrative through the coordination and release of similar information.

3b) The emphasis by both parties that the termination of a deal was on good terms means the public cannot speculate on potential internal turmoil and change the narrative.

An important facet of coordinating response is, if it is in fact the case, emphasizing that the agreement to terminate the merger between pharmaceutical companies was done so on good terms. Doing so denies media outlets and individuals to create a plausible narrative that internal strife or turmoil was the cause for the end of the merger.

In a press release statement, Pfizer "announced that the merger agreement between Pfizer and Allergan plc (NYSE: AGN) has been terminated by mutual agreement of the company"

(Martin). The key and important word in Pfizer's statement is 'mutual.' Underlining the fact that the decision to terminate the deal was not unilateral ensures that both companies maintain control over the narrative. Pfizer and Allergan did a good job of highlighting the shared, mutual decision in multiple press releases, television interviews, and opinion pieces, which ensured no one could create another controversial story to the already difficult narrative of the failed merger. A unilateral decision could result in more negative media coverage. This could impact brand reputation and potentially sales in the short-term. Simply put, emphasizing a mutual termination of a pharmaceutical merger is important in order to maintain control over the narrative.

Mylan Analysis

1. **Clearly outline actions and initiatives that your company is pursuing to help patients in order to boost the company image in times of crisis.**

For a for-profit company, the primary goal is always to maximize profits. However, with the evolution of the consumer landscape, sometimes, in order to get the business needed to increase profits, a company must demonstrate ways in which they are being a team player for the community at large, especially during times of crisis. For pharmaceutical companies, clearly outlining initiatives being undertaken at the corporate level to assist under-privileged patients with receiving the necessary medicine or treatment during times of crisis can help to boost the company image. Society is attracted to stories that evoke an emotional, human response. Highlighting the human side of the pharmaceutical company can help to provide some brand-image protection during a crisis.

The criticism for Mylan's $600 EpiPen 2-Pak was intense. The name 'Mylan' dominated headlines for days as the story broke. However, Mylan CEO Heather Bresch serves as a textbook example of how to highlight initiatives to help in-need patients when facing a company crisis. Bresch was able to deflect some of the criticism by underscoring how her company looked to help patients. Her main way to communicate directly with the public was through television interviews. At the start of an interview with CNBC, Bresch quickly highlights how the company responded and acted to provide more assistance to their patients: "Mylan announced Thursday increased rebates to many consumers who rely on the devices, which are used to counteract a potentially fatal allergic reaction known as anaphylaxis" (Balakrishnan and Mangan). Not only did Bresch assure the public that the company was working to verify that "everyone who needs

an EpiPen has an EpiPen," but she also highlighted ways in which Mylan consistently helps members of the community with allergies (Balakrishnan and Mangan). Bresch stressed that Mylan "has been making efforts to have EpiPens placed in schools around the United States" (Balakrishnan and Mangan). Furthermore, the Mylan CEO underscored the work the pharmaceutical company has engaged in with governments by helping to pass legislation in nearly every US state to approve the use of undesignated EpiPens in schools, which allows an EpiPen to be used on any individual that requires the drug in the event of anaphylaxis rather than requiring a prescription. Bresch points out that one of Mylan's programs, EpiPen 4 Schools, provided more than 700,000 free auto-injectors nationwide since its launch in 2012 (Balakrishnan and Mangan). However, during Congressional testimony, Senator Tammy Duckworth saw the impact as minuscule compared to what Mylan could achieve. Bresch comes across as sincere in her efforts to raise awareness about allergic reactions and needing to distribute additional EpiPens in case of her emergency. She noted that this was her mission from the beginning of her tenure as Mylan CEO. This showed the public that Mylan is making efforts to support communities that need EpiPens, which translated into reciprocal sympathy for Mylan and salvaged, to a degree, the company’s image.

In all of her television appearances, Heather Bresch noted the expansion of existing cost-cutting programs to add to her argument that Mylan is a positive force in the pharmaceutical space. Mylan tripled the rebate and decided to double "eligibility for its patient assistance program to 400 percent of the federal poverty level. This means a family of four making up to $97,200 would pay nothing out of pocket for their EpiPen Auto-Injector" (Balakrishnan and Mangan). Patients who had been paying full price would see their out-of-pocket costs cut by 50 percent as well. In addition, Mylan chose to open a line to sell the EpiPen directly to the patient

in hopes of reducing the cost created by intermediaries, such as distributors and pharmacies. Lastly, Bresch outlined that the "company is reducing the cost of EpiPens through the use of a savings card that will cover up to $300 for the EpiPen 2-Pak" (Balakrishnan and Mangan). If Mylan did not act quickly to further expand their cost-cutting programs or even have them to begin with, Bresch during her interviews would lack the firepower to prove to the public that Mylan was in fact making efforts to help the consumer. Her ability to clearly outline existing and future plans showed the public that the company was taking the issue seriously and would be a team player in assisting the consumer. As a result, public perception of the brand was not completely tarnished. It is important to note that mylan's reputation took a hit, but the company's efforts to reach out to consumers and expand cost-cutting programs softened the blow.

2. **If demand for your product is relatively inelastic, understand that walking through the fire of governmental and congressional scrutiny may damage short-term reputation but not sales.**

When there is controversy or drama of significance in the corporate world, the government oftentimes will be interested in gathering more information to determine if additional legislation needs to be introduced. A Congressional hearing represents a moment for politicians to question and heavily criticize prominent businesspeople. Oftentimes, these testimonies and hearings have become somewhat of a political show, when politicians on both sides of the aisle try to score political points for their own benefits. This process is no different for companies in the pharmaceutical space. However, it is important to understand that these political shows likely will not impact sales for an inelastic medicine or therapeutic, so those

representing a pharmaceutical entity in front of Congress need to put their best foot forward, understand it is a political spectacle, and walk aways knowing their sales will not tank.

At the outset of the Mylan EpiPen controversy, a lot of Presidential candidate hopefuls voiced their opinions on the matter. Hillary Clinton and Bernie Sanders called Mylan's EpiPen price "outrageous" and "egregious," and Donald Trump's White House noted that the practice was "greedy" (Sullivan). For Mylan and Heather Bresch, this was just the beginning of a political firestorm. Bresch was then asked to testify before Congress regarding the company's EpiPen list price of over $600. Senators and representatives grilled the Mylan CEO on the need for having such a list price and the potential conflict of interest of having Bresch's mother, who at the time was serving as the President of the West Virginia Board of Education, promote expanding access to EpiPens across schools in the United States (Duckworth). Like any individual testifying before Congress, Bresch attempted to give thorough answers but was consistently interrupted, sometimes for good reason and more often for a politician to make a statement in order to score cheap political points. Nevertheless, Bresch's exchange with Senator Tammy Duckworth was the most noteworthy. Senator Duckworth brought up an interesting clause in agreements that Mylan made with schools that bought discounted EpiPens. Senator Duckworth noted that Mylan made schools commit to not buy a competing product for 12 months (Duckworth). The Senator argued that these were monopolistic practices, which Bresch failed to respond to in a strong manner. This exchange served as a point of concern for Mylan as the company feared public perception of the pharmaceutical company as a 'monopoly' would be damaging to the brand.

While the Congressional testimony did some damage to the public's perception for the company in the short-term, the controversy today is no longer vastly discussed, and Mylan's sales of EpiPens have continued to increase. According to a filing with the Security and

Exchange Commission detailing U.S. EpiPen profitability, Mylan saw sales of profits through the third quarter of the 2016 fiscal year, the year of the scandal, already surpass that of 2015 ($1.1 billion compared to $912 million). Mylan also experienced its second biggest gross margin of EpiPen of 75%, and its operating profit of $671 million far exceeded any of the previous years. Mylan was on track to sell the most EpiPens in 2016 as well, with 8 million already sold through Q3 when the record was set in 2015 with 8.3 million pens sold (SEC Archive). These financial statistics highlight the key takeaway from Mylan. Yes, Congressional testimonies inflict negative damage on the company's image and brand. However, EpiPens are a necessary medicine for those with severe allergies. Demand for the product is extremely inelastic, which explains why Mylan continued to see an increase in sales for the product despite the controversy. This just proves that a pharmaceutical company needs to understand that walking through the fire of governmental scrutiny is part of the process of pushing through the situation. Knowing consumers hold inelastic demand for the product in question should reassure the company that their bottom line will not be significantly impacted by the political show.

Steps and Specific Recommendations for Pharmaceutical Companies in Similar Situations

1. Diligently prepare to answer questions regarding the financial data of the product in question. Know the information for both past, present, and future.
2. Have a rationale for why your company set the product at a certain price and do not deviate from this.
3. Do not engage in the hysteria and political show during Congressional testimonies. It is best to let a politician score a cheap political point than say something off the cuff and give the panel more ammunition. In other words, stick to the plan.
4. Highlight the ways in which your company is making efforts to assist consumers in need of help. If your pharmaceutical company does not offer programs for underprivileged members of society, quickly build these programs for the future. Do this before your testimony and if asked about the lack thereof, it is best to apologize and underscore the company's fault but do not take too much time apologizing. Highlight the programs you are introducing and give a precise timeline of their rollout.
5. While not discussed thoroughly in the above points, Heather Bresch is a master of shifting blame to other actors, such as wholesalers, the government, and the healthcare system, and she provides data-backed rationale for why Mylan should not take all the heat. In the pharmaceutical industry, leverage faults in the system to shift blame away from your company. Doing so could highlight failures of the government, which may shift some public attention towards the inaction of the government to fix the system.

Turing Analysis

1. **Dramatically increasing the price of a drug in a short time period no matter what the consumer demand volume may be will likely attract federal oversight and congressional inquiry.**

Prices in the pharmaceutical industry in recent decades have become a topic of public controversy and attention. Given the unique characteristics of the American healthcare system, prices for certain medications may seem exorbitant. Some argue that the reason for this is that the United States subsidizes medication and therapeutics for the world through research and development, but critics label the American system as greedy. Nevertheless, any significant pharmaceutical price increase deemed to be extreme is bound to be on the front cover of every news outlet in a matter of days. The ensuing public outrage will likely catch the government's attention, which could lead to federal oversight and congressional inquiry.

On August, 10, 2015, Turing acquired the exclusive rights to Daraprim (pyrimethamine) from Impax Laboratories for a total of $55 million (Timmerman). A month later, Turing increased the price of one pill of Daraprim from $13.50 to $740, representing a price increase of more than 5,000%. Turing attempted to justify the price increase by claiming the additional profits would contribute to future research in order to develop a new, more efficacious drug, a venture that most physicians rebut as being pointless given the already high efficacy of Daraprim (Tirrell). USA Today quickly picked up the story and the consequential snowball effect was immense. In response to media requests, Turing CEO Martin Shkreli made several television appearances to defend the significant price hike of Daraprim. The way in which Shkreli positioned himself and his company was controversial, and it is explored in depth in the

following takeaway of this thesis. It is important to note though that one of Shkreli's main arguments was that the volume of demand for Daraprim is relatively low and to him, it was "a great business decision that also benefits all of our stakeholders" (Timmerman). Nevertheless, Turing's CEO compounded the public anger and outcry. The combination of the heightened media and public attention sparked the government's interest to investigate the situation for constituents.

To reiterate, demand for Daraprim is quite minuscule. In fact, only about 2,000 Americans each year require the medication (Luthra). In comparison to other therapeutics and drugs, the demand is next to nothing. This may have contributed to the decision by Shkreli and Turing to increase the price so significantly; they may have thought that they could slip under the radar because the public and the media would not care about a drug that was not as widely used. However, Shkreli vastly underestimated the attention Daraprim would receive, and as a result of the 5,000% price increase, Shkreli was summoned to testify in front of the House Oversight Committee. The content and discussion of this testimony will be explored in the next takeaway; however, it is important to note that the Congressional oversight generated significant media attention. Shkreli, Daraprim, and Turing stole headlines for weeks. The key takeaway here is that pharmaceutical companies need to be aware that a small quantity of demand for a product does not act as a magical veil if the entity wants to drastically increase the price of it. In other words, given the sensitivity of the American public to news about price hikes in the pharmaceutical space and the ability for media outlets to propagate news at a quick rate, no pharmaceutical company will be able to escape media scrutiny and public attention with such a significant increase in the price of a drug. As a result of public outcry, Congress and the government will likely step in to investigate the situation. A pharmaceutical company who decides to pursue such

a price increase must be prepared to appear before a Congressional oversight committee and justify the price of the drug in question.

2. **Be aware of the character at the helm of the ship. The individual in the position of Chief Executive Officer matters for the image of the company.**

When a company faces a significant controversy, as a rule of thumb, the CEO or President of a company should address investors because they represent the face of the organization. Furthermore, these high-level individuals need to engage the investment community on a consistent basis because their positive image could become analogous with how investors perceive the value of the brand. This face might matter during a crisis when a company still needs to instill confidence in investors about their financial standing and outlook. However, a company needs to be aware of the character of that high-profile individual. A CEO or President of a pharmaceutical company that acts out of hand can exacerbate the situation and create another controversy that the company must deal with on top of the already difficult one at hand.

To put it lightly, Martin Shkreli was likely the biggest jackass in the pharmaceutical industry. To start, his business background and record is questionable. His public appearances following the public outcry regarding Daraprim's $750 price tag were brash. His behavior was nothing short of insulting. On CNBC, Shkreli deflected the blame on his company and pointed to the fact that other larger companies had increased prices by much more in the past. He attempted to justify the decision to increase the price by saying most of the revenue would be put towards research & development. Shkreli argued that Daraprim is covered by every major insurer and healthcare spending is the mark of a civilized society (Bloomberg Quicktake). The man who

flaunted his possession of Wu-Tang memorabilia was not earning sympathy with the public. Shkreli started down the path to earning his reputation as the 'Pharma Bro.'

The insensitivity and obnoxious behavior of Martin Shkreli shined during his testimony to the House Oversight Committee on drug prices hikes. The appearance earned Shkreli a reputation for being brash, inconsiderate businessperson in the pharmaceutical industry. Shkreli is the prime example of why a pharmaceutical entity needs to be careful in selecting a CEO or any high-profile individual that will have exposure to the public, because he shows what can go wrong for a company's brand and image. From the onset of the testimony to the House Oversight Committee, Shkreli demonstrated his unwillingness to cooperate with the panel as he claimed "on the advice of counsel, I will not be giving an opening statement" (Martin Shkreli Testifies Before Congress). Typically, testimony in front of a Congressional committee can last for hours. For Shkreli, the duration was under 10 minutes.

Chairman Jason Chaffetz of Utah's third district started the hearing by asking a question about how Shkreli would respond to an underprivileged woman who needs Daraprim to survive. Instead of engaging in a productive dialogue, Martin Shkreli quickly showed the representatives his unwillingness to share any opinions or information on the Daraprim price hike: "On the advice of counsel, I invoke my Fifth Amendment privilege against self-incrimination and respectfully decline to answer your question" (Martin Shkreli Testifies Before Congress). Chaffetz followed up with two additional questions to which Shkreli smirked and responded with the same line regarding his Fifth Amendment privilege. Harold Watson "Trey" Gowdy III of South Carolina's 4th Congressional district and the late Elijah Eugene Cummings of Maryland's 7th Congressional district both had opportunities to ask Martin Shkreli questions. The exchanges were short lived. Shkreli continued to invoke his Fifth Amendment privileges and signaled his

unwillingness to discuss the subject of Daraprim. While Shkreli had the right to invoke that privilege, the way in which he did so was childish. He constantly laughed and smirked. The testimony was a joke for Shkreli (Martin Shkreli Testifies Before Congress). Consequently, Turing faced a new media public image problem as new outlets called out Shkreli for his brash, selfish, peculiar behavior, one that you would not expect for a CEO of a pharmaceutical company. Turing's image took a major blow as a result.

Shkreli's behavior was nothing short of abnormal for the leader of a pharmaceutical company. However, it is an important lesson for other companies in the industry. Following Shkreli's appearance in front of the House Oversight Committee, perception of Shkreli and Turing tumbled. His comments, actions, and behavior exacerbated the negative attention directed at Turing and its decision to increase the price of Daraprim by 5,000%. Shkreli's character flaws greatly impacted the storm that Turing had to weather. It is great evidence for why pharmaceutical companies need to be extremely selective in who they place in high-profile positions, because these entities must recognize that the individual in that position will likely have to address the public or the government regarding a controversy. A level-headed individual who can respond to problems and situations in a calm, intelligent manner may save the company more work to save its brand and image. Having an individual like Shkreli at the helm invites the possibility of creating additional problems for the company to deal with when responding to another pharmaceutical issue.

3. Getting caught in the crossfire of a political campaign may add fuel to the fire.

The climate created by a contentious presidential campaign is intense. The 2016 Presidential election between Republican Donald J. Trump and Democrat Hillary Rodham Clinton redefined the already combative political climate. As a result, hot button issues, such as healthcare, were highly contested and publicized during debates and speeches. Nevertheless, in any presidential election cycle, companies and individuals will be caught in the crossfire of the campaign, subject to debate and unwanted spotlight. Given the enormous following and reach of presidential candidates, being the topic of conversation could add fuel to the fire of an existing pharmaceutical crisis that an entity in the industry may be facing.

Following Daraprim's price hike, Hillary Clinton tweeted a pledge to take on the pharmaceutical industry: "Price gouging like this in the specialty drug market is outrageous. Tomorrow I'll lay out a plan to take it on" (Farrell). Clinton pushed for Shkreli and Turing to lower the price back to its original $13.50 per pill. The criticism was fierce, and Shkreli's decision to raise the price of Daraprim was being used by Clinton to promote and push her agenda for the pharmaceutical industry. Clinton's criticism reached far in her base, and perceptions of Turing, Shkreli, and the pharmaceutical sector at-large plunged. It sparked further anger and served as further fuel to point fingers at the pharmaceutical industry. This simply compounded the damage control that Turing had to complete in order to salvage some of their image. Hillary Clinton was not the only candidate though who had choice words for Shkreli and Turing. Donald Trump told reporters on the campaign trail that Shkreli "looks like a spoiled brat" (LoGiurato). Trump degraded Shkreli's character and noted to his supporters that he would bring the fight to hedge fund managers. The future President of the United States added that Shkreli's decision to increase Daraprim by 5,000% "was a disgrace" (LoGiurato). Trump's comments fired

up his base, and as a result, Turing had both ends of the political spectrum angry at its decision to increase Daraprim's price to $750. The criticism intensified, political debates targeted the names Shkreli and Turing, and news outlets dedicated more time to the issue. The public was well aware of the situation when Clinton and Trump got involved. This just proves that being the subject of debate between two candidates battling during a contentious United States election could likely intensify the public relations issue for the pharmaceutical company.

It is important to note that a pharmaceutical company cannot necessarily time a controversy, so being the subject of a political campaign could be viewed as bad luck. However, management at pharmaceutical companies should not have to worry about this, because these entities need to be able to justify business decisions, such as a price increase, with logical reasoning. One could argue that an immediate 5,000% increase of a drug price is ludicrous and one would expect there to be backlash. However, if a pharmaceutical company determines that there is a clear reason for the increase of drug price, management needs to create a cohesive narrative to the public to explain exactly why the move is necessary. The company should double-down on efforts to help underprivileged consumers and explain how the increase at the end of the day will help consumers in the future, whether that be to develop a new, more efficacious drug or help to lower future costs by optimizing manufacturing. The literature in this thesis explored an academic paper by Zednka Vidrova and Lubica Gajanova. In their paper, the two authors leveraged a case study that showed that justifying the price increase by demonstrating an "intention to reinvest in R&D would later benefit consumers in the form of new, improved medical products" would be accepted by the public (Vidrova and Gajanova). Martin Shkreli and Turing attempted to do the same, but their argument's flaw lay in the fact that many doctors believed Daraprim was highly efficacious and research to find a better drug would

be a waste of capital and time. Dr. Zeke Emanuel, Center for American Progress Senior Fellow, concurred and noted that there was no indication that Martin Shkreli knew how to pursue a research & development project (Helsel and Mitchell).

Simply put, pharmaceutical companies need to be prepared to justify a business decision if the subject becomes the hot topic issue of a political campaign. Be aware that becoming the talking point could exacerbate the already tense controversy and may further damage the brand and company image.

Johnson & Johnson Analysis

1. **Emphasize efforts to prioritize patient safety.**

The business of pharmaceuticals is only successful if the products themselves are safe for humans. Therefore, pharmaceutical companies must in some way prioritize patient safety. When placed in a crisis in which a drug is causing serious, life-threatening side-effects, it is extremely important to reiterate efforts to double down and prioritize patient safety. When Johnson & Johnson faced issues with contamination of their COVID-19 vaccine Ad26.COV2.S as well as multiple reports of cerebral venous sinus thrombosis (CVST), the company understood the importance of reassuring the public of their actions to address the situation and the importance of public safety. For the company who experienced prior drug contamination crises, specifically the Tylenol poisoning cases, the response was a textbook example of how to respond to the COVID vaccine concerns.

Headlines for the week focused on a contamination incident at the EmergentBio plant in Baltimore, Maryland. Workers mixed ingredients used for the Johnson & Johnson vaccine with the AstraZeneca COVID vaccine, both of which use adenovirus-based platforms. J&J in a press release on the manufacturing process noted that the company installed a rigorous process to ensure high-quality standards and quality checks (Johnson & Johnson, March 31, 2021). The company employs a series of specialists and professionals at the manufacturing location to verify the safety and quality. The “quality control process identified one batch of drug substance that did not meet quality standards at Emergent BioSolutions, a site not yet authorized to manufacture drug substances for our COVID-19 vaccine. This batch was never advanced to the filling and finishing stages of our manufacturing process. This is an example of the rigorous quality control

applied to each batch of drug substances" (Johnson & Johnson, March 31, 2021). J&J implies their priority of patient safety by outlining the quality controls in place to ensure the vaccine product is in line with FDA and company standards. The company states that "quality and safety continue to be [their] top priority," and to demonstrate that, the company dedicated additional experts and specialists to be on-site at the manufacturing plant to supervise the process in coordination with the U.S. Department of Health & Human Services (Johnson & Johnson, March 31, 2021). Johnson & Johnson, from the get-go, wanted to prioritize patient safety by correcting the issue at hand.

The Food and Drug Administration released a scathing report about the unsanitary conditions at the Emergent BioSolutions plant. The FDA revealed systemic problems, including poor training of workers and failure to adhere to procedures: "written production and process control procedures to prevent cross-contamination are not followed in the execution of production and process control functions and are not documented at the time of performance" (Department of Health and Human Services). Johnson & Johnson received a series of inquiries about their safety practices. Instead of defending practices, Johnson & Johnson recognized the issues and announced, "it would increase its oversight of drug substance manufacturing at the Emergent BioSolutions Bayview facility, including additional control and personnel, to ensure the quality standards of our company and the U.S. Food & Drug Administration (FDA) are met" (Johnson & Johnson). The pharmaceutical giant also reiterated that "the quality and safety of our COVID-19 vaccine is paramount" (Johnson & Johnson, April 21, 2021). It is one thing to say it, but it is another to follow through. However, Johnson & Johnson was able to follow through on their statement of prioritizing patient safety. Since the initial issue at the Emergent BioSolutions plant, the FDA has not found additional contamination issues with the Johnson & Johnson

vaccine. This is extremely important, because a company's failure to address the situation in practice will demonstrate to the public that the company in fact does not prioritize patient safety. A pharmaceutical company must reiterate their efforts to double down and actually throw all of the necessary resources and personnel at the problem to correct it.

Johnson & Johnson also showed their priority of patient safety when rare cases of neurological disorders were reported, including CVST and Guillain-Barré syndrome following vaccination. J&J quickly provided updated factsheets to the public "to include important information about these rare cases and on the signs and symptoms of Guillain-Barré syndrome" (Johnson & Johnson, July 12, 2021). It is important to note though the J&J reiterated the efficacy and strong evidence pointing to the need to take their vaccine to protect against COVID-19 disease, as the risk of hospitalization from SARS-CoV-2 was viewed as greater than developing the neurological conditions.

Johnson & Johnson through their COVID-19 vaccine contamination issues demonstrated the importance of highlighting in a public forum their priority of patient safety. The company went a step farther by following through. If a pharmaceutical company fails to follow through on their promise and commitment to patient safety, it must be prepared to face negative repercussions, including loss of business and damage to reputation.

2. **Accept full responsibility for mistakes of your product, even if another company is at fault for manufacturing issues.**

In the pharmaceutical business, it is not uncommon to strike a deal with another company to manufacture a product. During the pandemic, Johnson & Johnson reached a deal with Emergent BioSolutions to be one location at which their COVID-19 vaccine would be produced. At the end of the day, the company who owns the intellectual property to the product and will be selling it under their name must take full responsibility for every stage of the production process, even if the manufacturing process is being undertaken by another company.

The Food and Drug Administration's review of security camera footage and documentation revealed that raw batches of the J&J vaccine were cross contaminated with ingredients of the AstraZeneca vaccine. Former FDA Investigator Peter D. Smith, a Smith GMP Consultant, reiterated that they "found many avenues of potential cross-contamination, including handling of waste, improper disinfection practices, and improper handling of material containers. These problems appear to be related to failure to follow procedures and lack of proper training" (Rowland). The deviation could cause delirious effects on patients, including life-altering side effects and death. When the FDA report came out, Johnson & Johnson released a statement to note that the company and FDA would keep the public informed. At the pharmaceutical level, if it is your product, it is not advisable to blame the company in charge of manufacturing for issues relating to quality, because at the end of the day, your company's name is associated with the product. Doing so could prove to the public that the pharmaceutical company does not have control over the situation and is not dedicated to ensuring the safety, efficacy, and quality of the product.

When media outlets focused a lot of time towards the Johnson & Johnson vaccine contamination, J&J had to respond. Rather than blaming Emergent for manufacturing issues in their facility, Johnson & Johnson assumed "full responsibility regarding the manufacturing of drug substance for its COVID-19 vaccine at the Emergent BioSolutions Inc. Bayview facility" (Johnson & Johnson, April 3, 2021). Rather than deflecting blame, Johnson & Johnson owned the issue, which played off better with the public. It showed the world that Johnson & Johnson would take control of the situation rather than play a blame game, which would at the end of the day not resolve the manufacturing issue or contribute to the end of the pandemic. This was evident in the fact that Johnson & Johnson continued to reiterate their decision to add "dedicated leaders for operations and quality, and significantly increasing the number of manufacturing, quality and technical operations personnel to work with the Company specialists already at Emergent" (Johnson & Johnson, April 3, 2021). This helped to solidify the Johnson & Johnson brand as a pharmaceutical company that was a leader rather than a follower. Especially during a crisis like the pandemic, J&J showed their leadership. Pharmaceutical companies that find themselves in similar situations as Johnson & Johnson need to take full responsibility as it will in the long-term help the brand image rather than hurt it. Playing a blame game comes off as childish to the public and overall trust for the company and its products may be negatively impacted as a result. This strategy will demonstrate a strong management team and overall leadership qualities in the company, which will further help to reassure consumers of the safety and efficacy of current and future drugs developed and sold by the pharmaceutical company.

3. **Demonstrate ways in which your company is still contributing to the greater solution.**

During the outset of the COVID-19 pandemic, the main goal was to return to some semblance of normal life. To do so, public health officials agreed that an arsenal of highly efficacious vaccines would be necessary to accomplish such a feat given the speed at which SARS-CoV-2 spreads. The Johnson & Johnson vaccine was found to be highly efficacious and safe. The single-shot COVID vaccine, public health officials claimed, would also be important for parts of the world where the logistics of giving a booster shot is more difficult. When problems arose with manufacturing and rare side effects of the J&J vaccine, management at the company successfully communicated how the company was still making an impact and contributing to the end of the pandemic. The reason why mentioning such an effort is so important is because it helps to bolster the company image and contributes to the positive narrative of the pharmaceutical industry in helping the human species. The pharmaceutical industry is one of the least trusted sectors, but general perceptions of the space changed due to COVID vaccines and the countless number of lives they have since saved.

During press releases, Johnson & Johnson continued to update the public on when vaccine batches cleared FDA quality checks. When an initial quantity of 60 million doses of the Johnson & Johnson COVID vaccine were deemed to be contaminated at the Emergent BioSolutions plant in Maryland, the FDA later determined two batches totaling 10 million doses were cleared. Johnson & Johnson reassured the public on their efforts to ensure patient safety but they also acknowledged the FDA's clearance as a sign of J&J's contribution to ending the pandemic: "Today's decisions represent progress in our continued efforts to make a difference in this pandemic on a global scale and we appreciate the close collaboration with the FDA and

global health authorities" (Nathan-Kazis). Boosting the public image is so important. When the vaccine distribution started, people had pride in which vaccine they received. It became almost a status symbol to have Pfizer over Moderna and vice versa. Unfortunately, for Johnson & Johnson, their name was not as synonymous as the other two vaccines makers as their efficacy rate did not reach above the 90% threshold. However, they wanted their name to be in that same category, so highlighting their efforts in ending the pandemic was a way in which they tried to bolster their name, brand, and image.

In other press releases, Johnson & Johnson noted they were still on track to reach their goal of delivering one billion doses by the end of 2021, and they also highlighted the fact that they met their commitment to deliver more than 20 million doses to the United States government within the agreed upon time period. Johnson & Johnson underscored how their teams were “working around the clock to develop and broadly activate [their] manufacturing capabilities to supply [their] COVID-19 vaccine worldwide” (Johnson & Johnson, April 21, 2021). They wanted to prove to the world that the company was fully dedicated to finding an end to the pandemic. Doing so would boost public perception of Johnson & Johnson. The efforts to do so were effective as evident by the fact that hundreds of millions of people worldwide have received the Johnson & Johnson vaccine. Despite the problems with manufacturing and rare side effects, the public trusted the company enough to take the vaccine. This is likely due in part to the fact that Johnson & Johnson acted on their commitment to prioritize patient safety and the fact that the company made significant efforts to highlight exactly how they were making a dent on the pandemic. Companies who face a similar situation should underscore ways in which they are contributing to the common good. This appeals to the public interest and could result in a stronger public perception of the company.

Final Takeaways

The conclusion focuses on giving the 'so what' for each takeaway. Each point demonstrates the importance of each lesson for a public relations specialist working in the pharmaceutical space.

In the event of a failed merger, emphasize the strength of your company as a standalone entity.

When a high-level individual is able to provide concrete evidence for why a pharmaceutical company's financial prospects remain strong following a failed merger, it convinces its publics that they can continue to rely on the company. Customers can expect the company will continue to develop and sell life-changing drugs and therapeutics. Investors, both institutional and individual, will be more convinced of the company narrative and why they should hold their shares. There is an expectation of continued performance, and highlighting this future strength is important in order to remain a significant player in the pharmaceutical industry.

Not even the most powerful, influential companies can challenge and beat the political system.

The government will always have the final say. Their power is difficult to challenge and the result would likely not favor the private entity. If the government changes the rules of the game, public relations specialists must understand that expending resources and time to attempt to change the circumstances is a waste of time. Continue to position the company as one that can continue to grow in the future despite the government's actions. Each company must play be the rules of the government, even if those rules are perceived as anti-competitive or unfair.

Coordinating responses between companies is key. Doing so is key to maintaining control over the narrative.

Coordinating responses and information shows a level of consistency, cohesion, and organization. A failure to do so opens up a company to further criticism and may detract from the strategy and the narrative the company needs to pursue in order to convey a message of strength and conviction.

Clearly outline actions and initiatives that your company is pursuing to help patients in order to boost the company image in times of crisis.

Demonstrating a humanitarian effort serves as evidence for the public that the company's focus is not just limited to profits. It shows the pharmaceutical company genuinely cares to some degree of assisting the consumers and patients who rely on their drugs and therapeutics. Highlighting these programs and systems could soften the blow from controversy. This allows a company to salvage enough of its reputation and image to continue making an impact on the lives of patients. It is a symbiotic situation: consumers benefit from the help of the pharmaceutical company and the company itself can prove to the public that they expend significant energy and resources to make a long-lasting, positive impact on the communities it serves.

If demand for your product is relatively inelastic, understand that walking through the fire of governmental and congressional scrutiny may damage short-term reputation but not sales.

Pharmaceutical representatives that must face the fire of the government and inquiries must understand that it is a political spectacle. The challenge is difficult, and government officials will likely gather sound bytes for personal gain, but at the end of the day, this is not relevant to the future business prospects of a company. This is especially true if demand for the product in question is inelastic. Such a political show cannot convince consumers to stop purchasing the medicine if they need it for a matter of survival. The brand may take a short-term hit, but understand sales and profits will continue to roll in.

Dramatically increasing the price of a drug in a short time period no matter what the consumer demand volume may be will likely attract federal oversight and congressional inquiry.

If you dramatically increase the price of a drug, expect to receive significant push back and media attention. This matters because such a decision may negatively impact the company's image and consequently affect revenue and profits. Recognizing this and factoring this into a pharmaceutical company's strategy of increasing the price of a drug is important in order to hedge potential fallout and scrutiny. A pharmaceutical entity may decide to slowly increase the price of a drug over a period of time in order to avoid such attention.

Be aware of the character at the helm of the ship. The individual in the position of Chief Executive Officer matters for the image of the company.

Having a sensible, level-headed leader who represents a company in the public is critical. That person is the face of the organization. If the individual is brash and aggressive, confrontation in the public sphere may impact how the public perceives not only the individual but the company itself. Be careful of who from upper management is communicating to the public and the manner with which they approach such interactions. The consequences, both positive and negative, could be impactful.

Getting caught in the crossfire of a political campaign may add fuel to the fire.

Being the subject of conversation in the middle of a political campaign is usually not a good sign. It likely means that your company finds itself at the center of a controversy or scandal. Understand that if a pharmaceutical company is in such a position, the blowback and ramifications will be noticeable from both a financial and reputation perspective. Be prepared to minimize damage through strong public relations campaigns.

Emphasize efforts to prioritize patient safety.

A company's ability to show efforts taken to prioritize patient safety is important because it serves as a vocal commitment that the company is not cutting corners on safety and quality of drugs and therapeutics. However, a company must follow through on such a promise and dedicate resources and personnel to achieve such a goal in order to earn the full trust of the public. Failure to do so will impact a pharmaceutical company's reputation to provide safe, efficacious products in the future.

Accept full responsibility for mistakes of your product, even if another company is at fault for manufacturing issues.

Choosing not to use another company as a scapegoat shows a level of maturity and understanding that the primary pharmaceutical company understands the responsibility they bear. At the same time, it is important to highlight what corrections will be made to ensure manufacturing issues do not continue. Doing so will deepen the trust and relationship with the consumer and show that the pharmaceutical company is maximizing its time and resources to ensure the quality of its products.

Demonstrate ways in which your company is still contributing to the greater solution.

People love a humanitarian story because it invokes emotions. Show ways that the pharmaceutical company is significantly impacting the overall mission and solution. It proves to the public that the company cares about the general health of the public and wants to make a positive impact on those communities. It matters because stories propagated through the media about such efforts help to enhance a company's reputation.

Concluding Thoughts

This project aimed to determine the best public relations practices for the pharmaceutical industry in the face of failed mergers & acquisitions, scenarios of drug hikes, and instances of drug contaminations. Since minimal literature exists on the niche subject, the thesis looked to start a conversation regarding the subject. Findings prove that in all three situations, public relations serves as an instrumental tool in maintaining a positive brand image in light of negative circumstances. For a failed merger & acquisition, the thesis found that a strong, resolute response from the upper echelons of a company could reassure publics, specifically investors, in the future health and standalone value of an entity. Creating a narrative supported by evidence that demonstrates a promising pipeline of drugs and therapeutics adds to the argument. The thesis explored how public relations professionals that find themselves in a media blitz as a result of the news of a price hike must clearly explain why such a price change occurred. In addition, highlighting efforts on behalf of the company to assist underprivileged customers could salvage part of a company's image and reputation. Lastly, the thesis demonstrated the importance of being truthful and providing accurate, timely information to consumers in situations where there are concerns of drug contaminations. Demonstrating ways in which the company is doubling down on its commitment to prioritize patient safety and showcasing evident follow through could stabilize the public's perception of the company. This thesis accomplished its goal of exploring the best public relations practices for the pharmaceutical industry in the face of the three stated scenarios. Future literature could further contribute to the subject by showing the evolution of such public relations tactics, analyzing the success rate of them, and broadening the scope of cases beyond failed mergers & acquisitions, price hikes, and drug contamination.

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