

## The Reputation Riddle: Nurturing Stakeholder Views in the Medical Industry



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While the fruits of a good corporate reputation translate into increased revenue and growth, a poor one can cause considerable commercial damage, and the importance of keeping reputations strong should not be underestimated.

This is especially pertinent in the medical industry, where patient safety, ethical procurement and shrinking budgets are finding too many firms unprepared and vulnerable to expensive loss of goodwill among key stakeholders, be they customers, regulators, investors, essential suppliers, distributors, procurement managers, commissioning groups, politicians or the press. The rising cost of medicines, regulatory requirements, demands for longer, larger clinical trials, patents expiring too soon and the demand for cheaper medicines are all critical business issues that can too easily lead to pitfalls in communications.

### Key Stakeholders

Reputation, however, is not something that can be owned, but develops as a result of how a business is perceived by its key stakeholders, such as customers, employees, suppliers and the press, with each group holding a different perspective according to their particular expectations. While it cannot be controlled, it is possible to influence how your business is perceived through developing an understanding of each stakeholder group and using the resulting insight for action.

The creation of a stakeholder map identifying these different groups and what matters to them versus what matters to your firm can be useful here in pinpointing which groups are worth influencing the most and what a conversation with them should be about.

For conversations with external stakeholders to be a success, however, reputation must also be nurtured at every level within the business itself, from sales staff to the board of directors. Lloyds Bank, for example, starts every board meeting not with sales or the balance sheet, but with reputation, understanding that its employees are not only stakeholders themselves, but also a channel of communication with other stakeholder groups (Dunne 2014).

The most successful companies are those that adopt this more proactive approach. The medical and healthcare companies with the best reputations amongst consumers, 3M, Bayer and Abbott Laboratories, which feature in the top 100 of the Reputation Institute's 2014 Global RepTrak® 100 study (Reputation Institute 2014), take their reputations very seriously, using them as input in strategy development. To achieve this, they monitor feedback from key stakeholders, and use the insight gained to build a clearer understanding of where to invest and what to communicate, making better business decisions as a result.

### Hospitals, Clinics and Practitioners

Hospitals and clinics also need to be aware of their reputation among stakeholders. One successful example is King Edward VII Hospital Sister Agnes, a leading private London hospital offering high-level exclusive medical services. They have been proactive in putting reputation right at the centre of their operations by implementing an organic, consistent strategy to communicate with patients, thus boosting reputation with key stakeholders ahead of any potential issues it may face in the future.

The hospital identified customer satisfaction and perception of service as its key stakeholder positioning tool. Not only does the hospital continue to invest in modern medical equipment and top consultants, but they also make sure that they circulate their successes and investment news via a channel that patients are responsive to: print and online. Consistent brand messaging is further maintained across PR, marketing and advertising in order to provide a consistent, structured and approachable identity.

Given the proliferation of review sites for hospitals, clinics and even practitioners, the importance of reputation in the healthcare and medical sector is moving ever more to the forefront of preoccupations. A USA report by National Research Corporation measured the relationship between hospital reputation and consumer preference, and found that a good media and patient perception translates into a higher likelihood of selecting a particular hospital or clinic for treatment, which in turn is key to securing investors. Three out of five consumers stated that hospital reputation is "very important" when they are evaluating a hospital (National Research Corporation 2014).

### Pharmaceutical Sector

A combined European and USA survey asked patients for their opinions on the corporate reputation of pharma in general, and 29 leading pharma companies in particular, and highlighted that, out of eight healthcare sectors evaluated, pharma only came in seventh, as two-fifths

(42%) of respondents gave pharma a “good” or “excellent” rating for reputation (PatientView 2014a).

By contrast 60% of respondents rated medical device companies good to excellent, and 46% gave the same score to biotech companies. Private healthcare services were rated highly by 50%. The lowest scorers were unpopular health insurers (PatientView 2014b).

Specifically, negative patient views in the pharmaceutical sector related to a perceived lack of fair pricing, of transparency and of integrity. Given this highly negative backdrop, far too many pharmaceutical businesses simply choose to passively sit back, and wait for something to happen that tars them with the same brush as the rest of the industry.

Once reputational damage has been done, businesses can only run for cover and take the reactive approach: responding with reputation-enhancing measures to whatever situation the business finds itself in. But this has its disadvantages, as Takeda Pharmaceutical Company and Eli Lilly found to their cost this year, after a U.S. jury judged that they had hidden evidence that their Actos diabetes drug could expose patients to a greater risk of bladder cancer. The punitive fine of \$9bn is just the tip of the iceberg of the knock-on reputational damage they now face (Skapinker 2014).

GlaxoSmithKline (GSK), for example, faces a chain of reputational issues after bribery allegations in Poland (Ward et al. 2014) were added to those being investigated in Iraq and China, where a £300m fine was levied for corruption. Further to the Chinese sanction, the U.S. Department of Justice and UK Serious Fraud Office are now both also investigating GSK for reportedly bribing doctors to prescribe its drugs (Ward et al. 2014).

In reaction to the news, and in order to stem the sales decline caused by the investigation, GSK is attempting to recover goodwill in the eyes of stakeholders, such as investors and the public as well as emerging economy governments, by pledging to support scientific development in China and to improve pricing flexibility. Like many pharmaceutical businesses, GSK sees emerging markets as a key opportunity for growth, so nurturing a positive reputation among stakeholders there is vital (Ward et al. 2014).

Another instance where a pharmaceutical company's existing reputation affects stakeholder expectations is that of Pfizer: the company plans to acquire AstraZeneca; however, the takeover is being portrayed as a move to transition from U.S. corporate tax to lower UK tax. Employee expectations, an important influencer of wider public opinion, are also very low in spite of the assurances about their jobs, especially after Pfizer's reduction of the research centre in Sandwich, Kent, in 2012 (Skapinker 2014).

But there are also positive signs that the industry is trying to get beyond a merely reactive approach to a more holistic way of fostering reputation: Pfizer has been publicly publishing all physician payments since 2010. Further to the recent Chinese trial, GSK has also promised to publish all clinical studies of its medicines, and launch an online system so that independent researchers could get anonymised data from drugs trials (Ward et al. 2014).

PatientView reports that ViiV Healthcare, Gilead and AbbVie are consistently among the top scoring pharma companies for reputation among patients for a range of issues. ViiV and Gilead are the top two scorers for: patient-centricity, high-quality information for patients, patient safety records, useful products, transparency and integrity. Sanofi and Teva have also climbed the ranks, thanks to a consistent and holistic approach placing patient safety at the core of their operations (PatientView 2014a).

The Medical Technology Sector

2014 research by PatientView reveals that the MedTech industry has the highest rate of goodwill among patients in the medical industry. Specifically, businesses that produce implantable medical devices post a better performance for corporate reputation than manufacturers of hospital equipment, and firms focusing on specialist therapeutic areas do better than manufacturers in multiple therapeutic areas. 3M Healthcare, also identified by the Reputation Institute as a best practice medical example, Abbott Laboratories and Alcon are the businesses that enjoy the best reputation in the eyes of patients (PatientView 2014b).

However, incidents do still happen and damage a whole segment of the market. In the last year, for example, concerns over metal mesh used to treat pelvic organ prolapse, and which reportedly has caused agony to a number of patients then forced to undergo surgery to remove mesh that was eroding and cutting into their organs, has come to the forefront in Scotland. Not only have 400 women reportedly launched legal action, but the National Health Service (NHS) in Scotland has suspended procedures (Cooper 2014).

However, patients and the media are not the only stakeholders, and although their views influence those of investors and buyers for example, businesses need to remember that identifying and mapping key stakeholders and their expectations is important to ensuring that target audiences are addressed consistently and appropriately.

## Conclusion

For the proactive approach to be successful therefore, perceptions of brand amongst all stakeholder groups must be constantly tracked and acted upon. While standardised 'black box' models exist, their rigidity makes them unsuitable for measuring reputation. Instead, a customisable framework is required that allows the benchmarking of corporate reputation across any stakeholder group and that can be used across all markets and methodologies.

One way of achieving this, pioneered by the Reputation Institute, is to monitor feedback through all touch-points to track the emotional connection between a company and its stakeholders alongside perceptions of rational connections, such as perceptions on products/services, innovation, workplace, and citizenship. These results can then be analysed to create actionable insights, which in turn are used to nurture reputation through marketing and communications strategies across all platforms, including social media.

Influencing reputation is inevitably a slow-burn of a job that requires commitment from the whole organisation and the ability to monitor, analyse, and act on stakeholder perceptions of the brand or business. As the success of brands like King Edward VII Hospital Sister Agnes, ViiV and 3M reveal, not only is it possible to enhance corporate reputation in the medical industry, but it is well worth it too.

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