

Towards Resilience and Sustainability: Exploring the Pharmaceutical and Life Insurance Frontiers

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Abstract

Value creation and getting above average returns have been the foundation of all strategy formulation and implementation processes across businesses worldwide. However, with the pandemic having brought in the element of great unpredictability and crisis, incorporating sustainability and enhancing resilience has emerged as the buzzwords across strategies, systems and processes in organizations. With the pharmaceutical industry and the life insurance sector impacting the global health systems during the pandemic and thereafter, the focus towards sustainability and resilience enhancement continues to be the evolving frontier in strategizing for these sectors. This study is based on the review of literature to understand the factors affecting the agility, sustainability and resilience of various value chain elements holistically, the intertwining of the themes of sustainability and resilience from a sectoral perspective – pharmaceutical industry and life insurance – and the emergence of any collaborations across sectors or value chains which may have or would contribute towards sustainability practices and enhanced resilience. The findings from this study may contribute towards enhancing and incorporating sustainability and resilience across other sectoral frontiers and may pave the way towards a sustainable and thriving future.

Key Words : Resilience, Sustainability, Pharmaceutical, Insurance, Linkages

Introduction

Strategizing and operating in a complex, dynamic business environment requires organisations to be adaptable and be effectively responsive to different types of changes -predictable or unpredictable, incremental or radical (Ayres, 2000). The agility with which the organisations need to respond and adapt to sudden and unpredictable changes was highlighted by the global crisis in the form of the COVID-19 pandemic. Along with agility and digitisation, sustainability and resilience became the buzzwords to effectively respond and adapt to the sudden upheavals like the pandemic created in businesses globally (Albach et al., 2015). Resilience is the ability of the organisations to withstand and adapt to a crisis like the pandemic, while sustainability is to be considered more holistically in terms of shifting the focus of companies from generating profit to how the profits are being generated and the factors affecting it. Research studies

outline the importance of incorporating sustainability related practices in organisations in order to deal with the dynamics of the business environment which in turn would result in enhanced organisational resilience (Miceli et al., 2021).

The pharmaceutical industry and the life insurance sector emerged as the forerunners in dealing with a global crises like the pandemic, impacting the global healthcare systems. The two sectors hold a pivotal position by being in the intersection of public health, economic resilience and environmental sustainability and hence would be the focus for this study. This study is based on a review of literature to understand the intertwining of the themes of sustainability and resilience from a sectoral perspective – pharmaceutical industry and life insurance – and the emergence of any collaborations across sectors or value chains which may have or would contribute towards sustainability practices and enhanced resilience.

Literature Review

The Pharmaceutical Industry and the Pandemic: Clinciu et al. in their study on the trends that evolved in the context of the pharmaceutical industry underscored the transformation that the pandemic brought to the various facets of the respective value chains. The challenges and the associated opportunities emerging from the pandemic prompted companies to become more adapting and innovating across the various processes. While prioritising the upholding of public health requirements, the development of vaccines and related treatments became a forerunner; and dealing with incessant disruptions in the supply chains and human resources constraints because of remote working became the added concerns. This in turn channelised the need and a move towards development of more resilient supply chains with logistics to support it. The need for speedy drug development got accentuated with the regulatory frameworks also adapting with agility to cater to the emerging scenarios. This need highlighted the essentiality for collaborations across companies involved in pharmaceuticals and research towards speedy development of drugs, conducting trials virtually, innovation and establishing resilient supply chains (Kulkov et al., 2023). The study further indicated a shift towards a healthcare system becoming more patient centric and more focussed towards self-care. Digital transformation in the healthcare systems and the role of ethics in each of the involved systems and processes was also emphasised; furthering the role of collaboration and innovation for the same. The delicate balance between earning profits and commitment to societal healthcare and wellbeing may be difficult to achieve as this may require pricing the medicines from an ethical standpoint, making treatments accessible to the patients and working towards healthcare solutions which may be tailored towards the specific patient's needs. The pandemic also instilled an increased level of public awareness regarding health, treatment regimens and global initiatives in healthcare. This got reflected in the changes in consumer behaviour post the pandemic with self-care products flying off the shelves due to increased demand. With boosting of one's immunity with mental and social well being becoming a priority post the pandemic, prevention started taking precedence over treatment as reflected in the purchase and usage options being exercised. The shift towards online shopping of medicines and the availing of tele medicine due to the lockdowns globally during the pandemic has changed the related consumer behaviour with an everlasting impact (Velásquez G.,2022). Accessibility and convenience have thus emerged as the essential consumer needs, and hence providing the relevant infrastructure in terms of digital platforms and others are the initiatives looked forward to in the healthcare arena. Moreover, thrust on branding in pharmaceuticals from the

consumer's end has gained significance as reflected in the transparency sought in the source, the ingredients therein and the efficacy of the medicines (Clinciu & Mircescu, 2021). With these trends finding a formidable space in the pharmaceutical marketplace, it has become imperative for the pharmaceutical companies to cater to the consumer needs without interruptions, with transparency and trust taken care of in the coming times.

The Pharmaceutical Industry, Sustainability and Resilience: As highlighted in the study by Saxena et al., 2022 pharmaceutical companies have a major role in developing resilience-based health systems worldwide especially in terms of the sustainability context and enhanced health security related systems and processes. The study elaborates on the direct or indirect alignment linkages between the activities in terms of the corporate social responsibility and the sustainability orientations towards the UN sustainable development goals. These in turn would be contributing towards achieving the targets of the Joint External Evaluation assessment requirements thus paving the ways towards facilitating the development of the National Action Plans for Health Security (NAPHS) (Anna et al., 2021). A holistic perspective of multiple stakeholder involvement is envisaged to improve the health systems' effectiveness. The important stakeholders in terms of the government institutions or agencies and the companies in the pharmaceutical sector hold a huge potential in terms of collaborating in the various sustainability related activities in the healthcare sector. This working together of the two critical stakeholders may pave the way towards a shared plan or grounding for engaging in sustainability initiatives catering to specific health security needs at a national level. As a part of this engagement, the governments may require the pharmaceutical companies to invest their resources like their human capital, the research and development related expertise, a resilient supply chain or logistics system followed, into the development of the sustainable activities thereby creating and bolstering resilience in the healthcare systems at the national level. Further, the constitution of public-private partnership in the public health infrastructure, systems and processes may strengthen the pharmaceutical companies' efforts directed towards overcoming the challenges of aligning their sustainability related initiatives and the UN SDGs. Also, these partnerships may become the cornerstone towards creating innovation for achieving resilience of the healthcare systems. With the activities of the pharmaceutical industry directly impacting the overall environmental health including the human beings and the animals, the associated companies' integration of their sustainability initiative with the One Health approach would go a long way in taking care of the various challenges related to health security including being prepared for a pandemic and effectively responding to the same (Kluge et al., 2018; Anna et al., 2021; Saxena et al., 2022).

The shift in focussing towards patient centric care in the healthcare systems has been delineated by Nagappa et al., 2018, in a study discussing the various challenges related to prescription management in patient centric care. Though the study does not make a direct reference to the pharmaceutical companies' resilience and sustainability, inferences may be drawn on the basis of the context provided therein. These inferences may include the crucial importance of the shift in focus of the pharmaceutical companies from being product-centric to being patient-centric. This focus shift may involve the relevance and priorities being assigned to understanding the various patient needs and the outcomes involved therein. This critical understanding of the patient needs' may form the foundation of increasing the resilience of the business. The activities as adopted by the companies, which aims towards achieving better patient outcomes, may help in developing stronger bonds with the healthcare providers and the patients in the long run, thereby enabling sustainable business practices. The shift may make

the government and the policy makers or regulatory authorities focus on implementing certain legal or regulatory frameworks. The move may make it imperative for the pharmaceutical companies to make the requisite changes in their strategies and the implementation mechanisms to abide by the changes in regulations. The agility and ability with which the companies may adapt to the required changes may make them resilient and impact the sustainability of their operations in the long term. Moreover, a major challenge in this changed scenario is the mounting pressure from the healthcare insurance companies to prescribe generics to reduce the cost of the medications making it more affordable to the patients. Hence, strategizing in pharmaceutical companies should revolve around ways to reduce costs to the extent possible while still focussing on innovations and ensuring quality. Such moves may facilitate sustainability of the companies in the pharmaceutical terrain and allow them to thrive in the dynamic healthcare business scenario. To increase their reputation and position in the competitive pharmaceutical markets', companies would have to involve in research related towards showing their product effectiveness and the impact on the patients' quality of life, which in turn may lead to them gaining trust and loyalty from the healthcare system stakeholders, especially the patients (Nagappa et al., 2018).

Life Insurance, Sustainability and Resilience : Resilience and sustainability aspects have been discussed by Gatzert et al., 2020 with respect to the insurance sector, which includes life insurance. The study indicates that climate change may not be the only sustainability related risks faced by the life insurance companies and can substantially impact its performance - operational and financial. Hence, life insurance companies may need to employ a multi faceted approach for effective management of the varied sustainability related risks influencing them. Moreover, the three principles of affordability, access and insurability form the goals to improve resilience foy any ideal sustainable insurance program. Life insurance companies may take cues from the same and benefit from it by involving in practices and activities that reduce risks by effective risk management, investing in sustainable assets and promote innovation. The value added therein through these practices may ensure the business remaining viable and stable in the long term. Resilience enhancement measures by life insurance companies may also involve adopting measures to adapt to climate change ,which may include integrating climate related knowledge into their firm's operations and mitigating the related risks through flexible strategies. For the same, an understanding may be developed on the positive impact of these adaptation strategies on the return on assets and thereby the financial performance. Effective implementation of sustainable practices entails transparency in practices and being able to compare the competing life insurance companies. However, these requirements are challenged by certain barriers to effective sustainable risk management in insurance firms. These may include the lack of data, knowledge about, and the standardization of certain systems and processes. The study also points towards the opportunities for life insurance companies in terms of innovation and new product development to adapt to the sustainability requirements. These innovative offerings may include products like microinsurance and giving incentives for low carbon related purchases, thereby encouraging the risk reducing behaviour among the life insurance policy holders. Such offerings may play a significant role in the overall resilience of the insurance sector (Gatzert et al., 2020).

Pharmaceutical Companies and Life Insurance – The Linkages : The review of literature did not address the linkages between the pharmaceutical industry and the life insurance companies but certain connections may be inferred on the basis of the sustainability theme and the risk management strategies indicated in the review. These may include the implicit linkages

between health risk assessment and insurance underwriting. The underwriting of policies by the life insurance companies involves the assessment of health risks. With the development of effective medicines and the associated treatment regimen, the pharmaceutical company plays a significant role in the management of the health risks and improving the health outcomes with innovation. These positive outcomes and reduced health risk among insured individuals is welcomed by the insurers in terms of the benefits it entails. As both the sectors are vying for sustainability, the pharmaceutical companies are focussing towards developing sustainability related production and distribution processes and systems for medicinal products, while the life insurance companies are harping on the risk management strategies in a bid to incorporate sustainability. A collaboration between both the sectors may pave the way for an alignment of the individual objectives, like developing insurance products that incentivize healthier lifestyles or support access to essential medications. A rise in lifestyle diseases and chronic ailments can have a significant impact of the life insurance sector as the prevalence of the chronic ailment have to be considered in the assessment of risk. However, the presence of strong pharmaceutical companies involved in the management of these diseases with their innovations and products may significantly reduce mortality rates and hence improve the insurance sector's financial stability. Also, linkages between the two sectors may be envisaged in the influence of regulatory frameworks related to sustainability and public health on the respective companies'; wherein any positive or negative effect of these regulations on the pharmaceutical sector has a cascading effect on the insurance sector in terms of risk assessment and development of insurance related products (Gatzert et al., 2020).

Conclusion and Discussion:

The pandemic has forced the nations worldwide - with the healthcare institutions and providers therein to rethink their strategies with respect to health security concerns. Collaborations and partnerships among stakeholders are being considered to be the strategic routes towards achieving sustainability goals and building up resilient health systems. Studies have indicated the pivotal role played by the pharmaceutical companies in terms of contributing to health security by the sustainability related initiatives undertaken and the collaborations done with government agencies, public-private partnerships undertaken towards the setting up of resilient health systems in the future (Kluge et al., 2018; Saxena et al., 2022). The critical elements to sustain and thrive in the market for the pharmaceutical companies may include the need to focus on patient outcomes, comply with the changing regulations and managing costs while changing the focus and strategies from being product centric to being patient centric, thus building business resilience in the present for the future. The life insurance companies also need to embrace a comprehensive approach towards management of the risks associated with sustainability, effectively engage adaptation measures and overcome the roadblocks of lacking necessary data and inducing transparency thereby enhancing sustainability and building resilience (Gatzert et al., 2020). Review of the existing literature on resilience, sustainability, Pharmaceutical industry and the life insurance sector does not explicitly indicate or discuss the linkages between the two sectors. However the connection between the two sectors could be inferred in terms of health risk management and related assessments, and the potential cascading effects, which may be explored further in future studies towards development of a comprehensive framework including the two sectors thereby ensuring enhanced resilience and a sustainable future.

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