
Editorial: Best practices in communicating biotechnology

Companies had a rough 2002. Investors lost confidence. It was a year when even the general public began questioning everything a company did; from its accounting methods, to the way it conducted clinical trials, to the information, or lack thereof, it disclosed to the public. Imclone, the once-darling of the biotechnology industry, started the New Year with a bang, with insider secrets being used to keep the Christmas bright. What are the lessons for 2003? What should we have learned about corporate governance that we did not know? What are the lessons for communicators?

First of all, companies in trouble need to take responsibility for their actions and regain the public's confidence. For all companies, there is a great need to look at internal processes and procedures and to provide clear transparencies between senior management and outside investors.

Biotechnology companies are in an awkward position. They are totally dependent upon investors to help them raise capital to finance their operations. It is sometimes a Faustian choice between total honesty and survival. In the mix, CEOs sometimes must decide between optimism, 'stretching the truth', and being painfully clear that some assumptions simply cannot be made if a positive reputation is to be maintained.

Why else is Martha Stewart spending millions on public relations to help re-establish her reputation in the industry? Even the former General Electric CEO Jack Welch proved this point in his decision to change his retirement package, citing the importance of perception. He said 'One thing I learned during my years as CEO is that perception matters'.¹

Fundamentally, biotechnology is a business built on the perception of trust and optimism. People trust science because of its checks and balances, and because of the definitive nature of the scientific process. Because treating disease is biotechnology's long-heralded goal, people recognise that there are inherent risks, but with potential big payoffs. Think about it. Investors trust that management will pick the right drug candidate or business partner to market their drug or the right clinical trial research organisation to recruit patients in a timely manner on the ultimate promise of delivering a drug to the market in ten years. In the wake of Imclone, Elan and the numerous drug failures announced last year, this bond of trust has been severely broken. It is now up to companies to earn this trust back. It begins with transparency.

Companies need to be open and completely transparent about what they do and how they do it. They need to put systems in place to ensure that they are truly protecting the interest of their stakeholders at all times, as opposed to their own self-interests. This means publishing more data and writing clearer press releases that are not meant to 'spin' or cover up. Sometimes press releases may seem to be clear to the company, but be too sophisticated, and watchers of the company may perceive the news differently. For instance, if a clinical trial shows results as positive in a subset of the data, yet still fails to reach its primary end-point, the fact remains that the trial did not show the result that was intended. This type of information needs to be stated in a clear, up-front manner, as opposed to focusing solely on the positive aspects. In journalism classrooms this is called fair-balance. The challenge in this type of situation is to clearly state the results, why they occurred and why investors should remain confident and in the company.

Recently, biotechnology company Alexion Pharmaceuticals met this challenge at the November 2002 American Heart Association meeting, where the company reported

that it had failed to meet the primary end-point in two Phase II trials.² It did, however, achieve significant results on a prospectively defined secondary end-point. The company openly reported what it had done and investors rewarded it with a 57 per cent increase in stock price on the week.³ Had the company obfuscated the results, investors would have been focused on the failure and not the success, and the markets would have punished the company as they did so many other times last year.

Elan, another recent casualty in the biotechnology sector, faced the issue of appearing to play games with its investors with its potential profits from its deals. It took only one article in the *Wall Street Journal* to change the image of Elan.⁴ Elan took the charge seriously. It named Garo Armen, a man with a good reputation on Wall Street, as its interim CEO, and began a concerted effort to repair its reputation. The company had recognised what Jack Welch knew: right or wrong, perception matters.

For most companies in the biotechnology sector, their corporate image is their brand. Their name is their intangible asset, which must stand for the honest image of a company reporting accurate scientific results, financials and a pragmatic vision of the future. Never lose sight of the fact that your company is creating better drugs, and cures for dreaded diseases and the improvement to society.

The corporate image of a company impacts its ability to finance, to gain partners, to receive positive notices in the press and to recruit staff. In short, it affects everything a company does. Companies need to take seriously their corporate brand and develop programmes that enhance it. For example, if quality science is the cornerstone of a company, publishing and presentations should be a focus of the company's communication programme. If the focus of the company is on a particular individual – the founder or the CEO – then programmes need to be put in place to enhance that person's reputation. One must understand what the essence of the company is and nurture it. One must also understand the true mission of the company and the message it wants to get to its various audiences. Teasing this out is often a time-consuming and intensive process. It may even cause internal discord. This process of spirited debate is well worth it, however, when, at the end of the process, the company can confidently project a unified image. One could only imagine the severity of the implications of senior executives presenting different pictures of their company in this business climate. The incongruity this would raise, both internally and externally, would be irreparable.

When communications are conducted in an open, honest and consistent way, the integrity of the organisation shines. When this happens, an organisation can escape the wrath of the press. It can also escape the harsh reaction of investors, and it can build that long-coveted value and trust.

*Anthony J. Russo, PhD
Member of the JCB Editorial Board
Chief Executive Officer
Noonan Russo Presence Euro RSCG
USA*

References

1. Welch, J. (2002), *Wall St J.*, 17th September.
2. Huggett, B. (2002), *BioWorld Today*, Vol. 13, p. 223.
3. Beasley, D. (2002), Reuters, 22nd November.
4. Eisinger, J. (2002), *Wall St J.*, 30th January.