

Case #1

CASE**MERCK AND RIVER BLINDNESS**

Headquartered in New Jersey, Merck & Co. is one of the largest pharmaceutical companies in the world. In 1978, Merck was about to lose patent protection on its two best-selling prescription drugs. These medications had provided a significant part of Merck's \$2 billion in annual sales. Because of imminent loss, Merck decided to pour millions into research to develop new medications. During just three years in the 1970s, the company invested over \$1 billion in research and was rewarded with the discovery of four powerful medications. Profits, however, were never all that Merck cared about. In 1950, George W. Merck, then chairman of the company his father founded, said, "We try never to forget that medicine is for people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered that, the larger they have been." This philosophy was at the core of Merck & Co.'s value system.

River Blindness

The disease onchocerciasis, known as river blindness, is caused by parasitic worms that live in the small black flies that breed in and about fast-moving rivers in developing countries in the Middle East, Africa, and Latin America. When a person is bitten by a fly (and some people are bitten thousands of times a day), the larvae of the worm can enter the person's body. The worms can grow to almost two feet long and can cause grotesque growths on an infected person. The real trouble comes, however, when the worms begin to reproduce and release millions of microscopic baby worms into a person's system. The itching is so intense that some infected persons have committed suicide. As time passes, the larvae continue to cause severe problems, including blindness. In 1978, the World Health Organization estimated that more than 300,000 people were blind because of the disease, and another 18 million were infected. In 1978, the disease had no safe cure. Only two drugs could kill the parasite, but both had serious, even fatal, side effects. The only measure being taken to combat river blindness was the spraying of infected rivers with insecticides in the hope of killing the flies. However, even this wasn't effective since the flies had built up immunity to the chemicals.

Merck's Ethical Quandary

Since it takes \$200 million in research and 12 years to bring the average drug to market, the decision to pursue research is a complex one. Resources are finite, so dollars and time have to go to projects that hold the most promise in terms of making money to ensure the company continues to exist as well as of alleviating human suffering. This is an especially delicate issue when it comes to rare diseases, when a drug company's investment could probably never be recouped because the number of people who would buy the drug is so small. The problem with developing a drug

to combat river blindness was the flip side of the “orphan” drug dilemma. There were certainly enough people suffering from the disease to justify the research, but since it was a disease afflicting people in some of the poorest parts of the world, those suffering from the disease could not pay for the medication.

In 1978, Merck was testing ivermectin, a drug for animals, to see if it could effectively kill parasites and worms. During this clinical testing, Merck discovered that the drug killed a parasite in horses that was very similar to the worm that caused river blindness in humans. This, therefore, was Merck’s dilemma: company scientists were encouraging the firm to invest in further research to determine if the drug could be adapted for safe use with humans, but Merck knew it would likely never be a profitable product.

Source: D. Bollier, *Merck & Company* (Stanford, CA: The Business Enterprise Trust, 1991).

Case Questions

1. Think about the definition of *stakeholders*—any parties with a stake in the organization’s actions or performance. Who are the stakeholders in this situation? How many can you list? On what basis would you rank them in importance?
2. What are the potential costs and benefits of such an investment?
3. If a safe and effective drug could be developed, the prospect of Merck’s recouping its investment was almost zero. Could Merck justify such an investment to shareholders and the financial community? What criteria would be needed to help them make such a decision?
4. If Merck decided not to conduct further research, how would it justify such a decision to its scientists? How might the decision to develop the drug, or not to develop the drug, affect employee loyalty?
5. How would the media treat a decision to develop the drug? Not to develop the drug? How might either decision affect Merck’s reputation?
6. Think about the decision in terms of the CSR pyramid. Did Merck have an ethical obligation to proceed with development of the drug? Would it matter if the drug had only a small chance to cure river blindness? Does it depend on how close the company was to achieving a cure, or how sure they were that they could achieve it? Or does this decision become a question of philanthropy only?
7. How does Merck’s value system fit into this decision?
8. If you were the senior executive of Merck, what would you do?

SHORT CASE

You have a long-standing consulting relationship with a large consumer products company. This company represents 50 percent of your consulting revenues and is clearly your most important client. The CEO has called to ask you to commit a