



## Mains Practice Question

### Case Study:

You are the Managing Director of "XYZ Biotech", a rapidly growing pharmaceutical firm based in India, with operations in several developing countries. Your company has recently developed a breakthrough mRNA-based vaccine for a rapidly mutating tropical disease affecting large sections of the population in Sub-Saharan Africa and parts of South Asia.

The vaccine has demonstrated 94% efficacy in Phase III clinical trials and has the potential to save thousands of lives. However, the vaccine is expensive to manufacture, requiring specialized cold-chain storage, and proprietary biotechnology inputs licensed from international partners. The pricing strategy proposed by your Board is to recoup R&D investments and generate profit by pricing the vaccine at Rs. 3000 per dose, which makes it unaffordable for many low-income populations in target regions.

Meanwhile, several NGOs, global health organizations, and even a few governments are urging you to waive your patent rights, or adopt tiered pricing to allow cheaper versions or voluntary licensing for public-sector manufacture.

You are also under pressure from investors, who expect high returns due to the innovation. Some stakeholders suggest cutting costs by outsourcing trials to countries with weaker regulatory standards, while others propose delaying access in poorer countries to focus on wealthier clients first. Your own conscience is conflicted—you believe in public health as a right, but also have obligations to shareholders, employees, and long-term sustainability of the firm.

- Identify and discuss the ethical issues involved in this case.
- What would be your immediate response to the situation described above?
- If a global health coalition asks for voluntary licensing of your vaccine, how would you respond both ethically and strategically?
- As a conscientious public-spirited executive, suggest a balanced strategy that ensures innovation, affordability, and ethical integrity.

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### Introduction:

XYZ Biotech has developed a life-saving mRNA vaccine for a tropical disease affecting low-income regions. However, high production costs and proposed pricing raise concerns over affordability. The company faces ethical pressure from global health bodies and financial pressure from investors. As MD, it is my responsibility to balance innovation, access, and responsibility

### Body:

#### a) Identify and discuss the ethical issues involved in this case.

- **Intellectual Property Rights vs. Social Responsibility:** The Board's reluctance to waive patent rights or adopt tiered pricing clashes with global appeals for affordable access.
  - Overprotecting IPR during a health emergency may violate the **common good and global**

### **solidarity.**

- **Means of Cost Reduction (e.g., outsourcing to weak regulatory zones):** Reducing costs by outsourcing clinical trials to regions with poor regulation raises ethical and legal concerns.
  - Violates **principles of non-maleficence** (do no harm) and informed consent.
- **Delay in Access for Poorer Nations:** Prioritizing richer markets leads to delay in vaccine availability in low-income countries.
  - This contravenes **distributive justice** and may lead to preventable deaths.
- **Long-term Ethical Business Sustainability:** Short-term profit maximization may damage the firm's ethical image and global trust.
  - Ethical behavior ensures long-term credibility and stakeholder trust, aligning with Gandhian principle of "Antyodaya" – uplifting the last person.
- **Public Health vs. Profit Maximization:** The vaccine has life-saving potential but is priced beyond the reach of many in low-income countries.
  - Denying access due to high pricing violates the principle of justice and equity.

b) What would be your immediate response to the situation described above?

As the Managing Director of XYZ Biotech, my immediate response would be guided by a **balanced and ethically pragmatic approach**, aiming to:

- Save lives
- Ensure business sustainability
- Uphold global responsibility
- Maintain stakeholder trust

### **Immediate Response to the Situation:**

- **Initiate a Tiered Pricing Strategy:** Introduce differential pricing based on countries' income levels:
  - High-income countries: ₹3000/dose (full price)
  - Middle-income: Moderate subsidy
  - Low-income (LDCs and LMICs): Heavily subsidized or near-cost pricing
  - **Rationale:** Ensures revenue from wealthier nations while allowing access to poorer populations.
- **Explore Public-Private Partnerships (PPP):** Collaborate with global health bodies like **GAVI, WHO,** and UNICEF to:
  - Fund bulk procurement
  - Share logistics and cold-chain infrastructure
  - Assist in distribution to remote areas
  - **Rationale:** Reduces company's logistical burden while ensuring wide reach.
- **Voluntary Licensing Under Conditions:** Offer **voluntary licenses** to trusted public-sector manufacturers in low-income regions.
  - Maintain quality and safety standards
  - Ensure affordability with negotiated royalties
  - **Rationale:** Balances IP rights with social responsibility. Supports sustainable technology transfer.
- **Ethical Clinical Trials Policy:** Issue a clear policy that:
  - Trials will only be conducted in countries with **robust ethical review mechanisms**
  - Informed consent and post-trial care will be non-negotiable
  - **Rationale:** Upholds bioethics principles: autonomy, beneficence, non-maleficence.
- **Engage with Investors Transparently:** Hold stakeholder consultations to:
  - Explain the long-term brand value of ethical leadership
  - Show potential for future markets in developing countries
  - Present tiered pricing as a sustainable, reputation-building move
  - **Rationale:** Builds trust, reduces backlash, and aligns investor expectations with ethical goals.
- **Establish a Fund under Corporate Social Responsibility (CSR):** Allocate part of profits to support:
  - Free vaccination drives

- Rural cold-chain infrastructure
- Health education and outreach
- **Rationale:** Reinforces the company's commitment to health equity.

c) If a global health coalition asks for voluntary licensing of your vaccine, how would you respond both ethically and strategically?

I would **agree to voluntary licensing under a conditional, structured model** to balance the ethical imperative of public health with the strategic need for business sustainability and innovation continuity.

### Ethical Justification

- **Humanitarian Responsibility:** As a leader in the biotech sector, I have a moral obligation to **uphold health as a fundamental right**, especially in the context of a life-threatening tropical disease.
  - Denying access due to cost would violate the ethical principles of justice, equity, and beneficence.
- **Principle of Global Solidarity:** Sharing life-saving innovation in times of crisis is aligned with the values of **compassion and utilitarianism** – maximizing good for the greatest number.
  - It also upholds the ethical standard of "**interdependence of humanity**", especially in global public health.
- **Moral Leadership:** As MD, I must act not only as a corporate executive but also as an ethical agent. Licensing under fair terms can set a precedent of responsible innovation, without fully relinquishing IP.

### Strategic Business Justification:

- **Protecting Intellectual Property While Sharing Access:** I would not go for full waiver but allow voluntary licensing with safeguards:
  - Royalties at concessional rates
  - Manufacturing limited to public-sector units or WHO-approved partners
  - No export clause to protect commercial markets
- **Strengthening Brand Equity and Global Credibility:** Demonstrating ethical responsiveness enhances long-term **trust, reputation**, and diplomatic goodwill.
  - This can attract global partners (e.g. Gates Foundation, GAVI) and position XYZ Biotech as a preferred partner for future contracts.
- **De-risking Supply and Expanding Access Without Full Cost Burden:** Licensing allows us to **delegate production** and distribution in difficult geographies while focusing core resources on innovation and R&D.
  - Avoids infrastructure costs while ensuring market coverage.
- **Investor Alignment through Transparent Communication:** I would explain to shareholders that this strategy:
  - Preserves IP
  - Creates alternate **revenue** streams through royalties
  - Opens new **future markets**
  - Builds **resilience** against reputational or regulatory backlash

d) As a conscientious public-spirited executive, suggest a balanced strategy that ensures innovation, affordability, and ethical integrity.

**Strategy:** I would adopt a **tiered pricing model combined with voluntary licensing under safeguards**, engage in public-private partnerships for low-income distribution, and maintain IP rights with royalty-based licensing to balance innovation and access.

### Justification:

- By allowing affordable access through tiered pricing or licensing, I aim to save the maximum number of lives (**Utilitarianism-Maximizing Welfare**) aligning with the principle of greatest good for the greatest number.

- As a public-spirited executive, I have a moral duty to protect human life and dignity, which follows **Deontological Ethics** and overrides exclusive profit considerations in a health emergency.
- Acting with compassion, responsibility, and integrity reflects the **virtues expected from ethical leadership**, especially in the life sciences sector.
- Prioritizing access for the least advantaged ensures distributive justice (**Rawlsian Ethics**), giving all individuals a fair chance to survive regardless of economic status.

## Conclusion:

In navigating this dilemma, the goal must be to harmonize innovation with inclusivity — ensuring life-saving healthcare reaches those who need it most, without compromising long-term sustainability. Ethical leadership lies in choosing public good without losing sight of responsibility to all stakeholders. As Albert Schweitzer said, "Ethics is nothing else than reverence for life."

PDF Reference URL: <https://www.drishtiias.com/mains-practice-question/question-8901/pnt>

