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Spinning Off Hospira

SHIFTING COMMUNICATIONS PARADIGMS

by Tareta Adams & Shannon Gore

ABSTRACT

In August 2003, Abbott Laboratories announced the spin-off of its core global hospital products business to create a more focused organization that would be better positioned to serve its customers as an independent company, and create added shareholder value for investors. As part of the creation of the new company, the functions that would be a part of NewCo—later named Hospira—would undergo a rigorous launch preparation that would result in streamlined administrative systems and processes. For the team responsible for overseeing Hospira's communications program, the result would be an opportunity to implement an integrated marketing communications approach within the company.

Introduction

THE SPIN-OFF OF Abbott Laboratories' \$2.5 billion core global hospital products business resulted in the creation of one of the largest hospital products company in the United States and the only company of its size dedicated to serving hospitals. The goal was to unleash value for Abbott shareholders and provide employees of the new company with a previously untapped opportunity to devote focus and resources to the hospital customer.

The employees of NewCo—the alias for the unnamed company—had a tremendously challenging opportunity. The launch timing was set for spring 2004, leaving less than one year to create an entire organization. Hundreds of departments had to evaluate staffing plans, budgets, strategies, and a

multitude of other activities necessary for NewCo to function as an independent entity.

Creating a more focused and customer-driven company resulted in many departments—including Hospira's Public Affairs team—enhancing their approach and processes. It was an opportunity to leverage the company's strong 70-year history and core competencies, while working from a clean slate to strengthen areas that required improvement. This resulted in an atmosphere that fostered change and led to an increased level of employee engagement. Employees were driven by the same core guiding principles and were empowered with a focus on team and individual accountability.

These employees were no longer a part of an organization that competed with four other operating divisions for resources and attention. They were no longer confined

by a large, corporate infrastructure that required a certain level of bureaucracy to connect businesses with different goals, product profiles, and cultures.

As the new company began to take form, it was obvious that NewCo's communications approach needed to transform. Preparing for the introduction of NewCo required regular, multifaceted communication to a variety of stakeholders at a magnitude that was unprecedented for this organization. From the very beginning, examples of this evolving communications paradigm were seen across the company.

Today, more than a year after the company's launch, signs of the new communication paradigm are still evident. Now a corporate function, the Public Affairs department has a more visible seat at the management table. The head of the department reports directly to the CEO and is involved in day-to-day decisions regarding every aspect of the business. Review processes and timelines have decreased at least two-fold, due to employee empowerment and the collaborative nature of communications planning. The Marketing, Sales, Public Affairs, and Investor Relations organizations work hand-in-hand to ensure that Hospira's stated stakeholders—customers, employees, shareholders, and communities—receive a consistent message about the identity of the newly formed company and its added value as an independent organization. This more integrated communications approach continues to successfully support the original intent of the spin-off: to create an organization that brings added value to all stakeholders—but particularly to customers and shareholders.

Transitioning to Hospira

Friday, Aug. 22, 2003 was a historic day for the 14,000 Abbott employees who would eventually become Hospira founders. The spin-off news was successfully guarded until this day when the multimedia announcement

was made via broadcast e-mails, employee meetings satellite-fed to multiple company locations, and one-on-one Q & A sessions with managers. Simultaneously, Abbott released the news to the media and investors, highlighting the future benefits that the spin-off would bring to customers, investors, and employees of both companies.

One week later, a cross-functional team of approximately 100 Abbott leaders gathered to form the Hospital Transition Team, or HTT. The HTT ensured that every function was prepared to operate independently of Abbott once the company launched. Early involvement from the team that would eventually be NewCo's corporate Public Affairs department was key in shaping the company's future communications approach.

The transition communications priorities were immediately defined. Simultaneously, the head of Public Affairs for Abbott's Hospital Products Division—the division comprised of the majority of NewCo's future employees and products—would be focused on two goals: ensuring that the non-HTT focused, but still necessary, communications programs were not compromised; and that a communications plan was developed to support NewCo's launch and post-launch activities.

Because it was premature to start including elaborate visuals that may not be consistent with the future brand, an HTT graphic identity was created and its logo was prominent on communications materials, such as the transition intranet site, newsletters, and internal presentations. The mark and any information that accompanied it signaled timely, credible, and actionable information about the new company.

Preparing for the introduction of NewCo required regular, multifaceted communication to a variety of stakeholders at a magnitude that was unprecedented for this organization.



Our Vision
Advancing Wellness™...
through the right people and the right products

Our Commitment
Hospira has an unwavering commitment to:

- Our customers**, delivering on our promise by serving their needs with integrity and trust.
- Our employees**, by embracing diversity of thought and cultural perspective, and fostering an environment of empowerment, fairness and respect.
- Our shareholders**, by safeguarding their investment and providing a fair return.
- Our communities**, acknowledging our social responsibility through active citizenship and thoughtful giving.

Our Values
We will achieve our vision and deliver on our commitment through:

- Integrity:** We build respect and trust in our company, products and selves by setting high standards and acting on our values.
- Ownership/Accountability:** You are the heart and soul of our company. Your words and actions determine our reputation. As an owner of our company, you are counted on to advance our performance by meeting your commitments and keeping your promises.
- Speed:** You are empowered and expected to act quickly and decisively in everything you do while making informed decisions and ethical judgments.
- Entrepreneurial Spirit:** We respect and encourage visionary thinking by embracing people who are passionate champions of creative ideas and who are willing to persevere on behalf of innovation.

Figure 1
Hospira's vision, values, and commitment were designed to guide employee action.

Employees were the priority audience during the early days of the transition. NewCo had to ensure that employees were informed, engaged, and given direction and support throughout the process so they in turn could appropriately deliver on the company's commitment to other key stakeholders: customers and shareholders.

During the days ahead, current Abbott and future NewCo senior managers also kept the lines of communication open through informal channels including regular employee e-mails, and town-hall and department meetings where managers answered questions and promoted dialogue.

The inaugural *HTT News* publication, a weekly newsletter, was distributed to employees via e-mail exactly two weeks after the initial announcement. This also marked a milestone in shaping NewCo's future processes. Mergers and acquisitions experts have consistently advised that frequent communication is critical during a transition period. Because NewCo had been aggressively targeted to launch in spring 2004, regular communication was the only option to ensure employees were informed during a transition

that progressed so quickly. The HTT team set a goal of distributing *HTT News* on a weekly basis via e-mail, posting it on the newly-formed HTT intranet site, and encouraging plant and site managers to distribute it in break rooms and on bulletin boards.

Due to the frequency of *HTT News* distribution, review procedures, and lead times for the publication needed to become more efficient. In an organization of separate divisions, materials typically had to go through an extensive review process at both the division and corporate levels. If there were competing high-profile projects in other divisions, this often meant that document reviews took weeks. The Abbott and future NewCo managers who approved documents quickly recognized the need to streamline the review processes to meet the rigorous transition deadlines. While it may seem simplistic, shorter review times meant employees were informed of key milestones and guidance in an expedient manner, which contributed to a more productive workforce and decreased employee anxiety. This marked the beginning of a communications process improvement that is still evident at Hospira today.

Guiding principles

NewCo’s senior management team knew that a key part of building an organization and developing a new culture was also defining the company’s guiding principles. The company’s vision, values, and commitment (Figure 1) resulted from a “SWOT” analysis to evaluate its identity as a part of Abbott and what the founders envisioned for the new company.

Similar to Johnson & Johnson’s Credo, the company’s vision—Advancing Wellness through the right people and right products—was intended to guide all employees’ actions. NewCo’s values were based on the strengths of its business, people and products, and management’s future aspirations for the company. The values are intended to help employees make the right decisions during interactions with employees, customers, shareholders, and the community—especially when faced with a tough question or situation.

To expand on the vision and values, a statement of commitment was developed to clearly articulate employee responsibilities to each key stakeholder. It was important to provide a specific, prioritized commitment statement to govern the company’s actions and future strategic approach.

The integration of these principles into a corporate culture represented a noticeable change for employees who were previously part of Abbott Laboratories. The actions of the company and its employees, and communications to all audiences were now fundamentally rooted in a common vision, shared values, and a solid commitment.

Building a new brand

As management was forming the vision, values, and commitment, the company was also developing, evaluating, and selecting possible names for NewCo and defining its graphic identity with the assistance of Interbrand Wood, a top-tier branding agency.

One of the many hurdles of introducing a new company involved selecting a new name. Without a name, customer recognition was a significant challenge. No longer a part of the high-margin and higher-risk pharmaceutical space, the new company would now belong to the more stable medical device and generic pharmaceutical sector.

One of the first steps to finding a suitable name was to develop a profile of key company characteristics. This profile would articulate the personality of the new name, providing a benchmark for evaluating name candidates. To help with this process, initial research was completed on the new company’s industry, competitors, and marketplace. Interviews were conducted with employees, customers,

| RETAIN | INSTILL |
|---|--|
| <ul style="list-style-type: none"> • Customer-focused • Discipline/responsibility ("managing surprises") • Care for own people • Good people • Good place to work • Integrity • Pride • Solid product line • Stability | <ul style="list-style-type: none"> • Added value • Crispness/clarity/simplicity • Enhanced customer intimacy • Entrepreneurism • Excitement • Global focus • Innovation • Risk taking • Sense of tradition • Speed, flexibility, fun • Stronger marketing |

Figure 2

and investors. Based on the research, key initial concepts of the new company’s identity, or brand, were identified and refined (Figure 2).

To promote employee engagement, management believed it was important that the new company’s employees be involved directly in the creation of the company. As a result, employees were asked to submit their suggestions for the company name (with more than 400 received).

Suggestions from employees and those from the branding agency (a total of 1,000 names) then went through a rigorous screen-

The Hospira branding team recognized the importance of defining key company characteristics based on retaining old concepts and instilling new ones.

The name Hospira (pronounced Hos-PEER-ah) communicates the focus of the business on the hospital customer and provides a glimpse of the some of the company's unique qualities.

ing process to make certain they supported the company's business focus, aligned with the identified characteristics, and provided flexibility and relevancy as the business changed and expanded in the future. Names that passed that initial test were then researched to ensure they were not similar to other company names, especially existing

organizations in the healthcare industry. Names were ruled out if they posed trademark challenges in the United States and other key global markets, and evaluated on their suitability across dif-

ferent cultures and languages.

Following this exhaustive legal, linguistic, and customer research evaluation, the list of names was narrowed to two—one of which was Hospira. These two names were put to a final, worldwide intranet employee vote and in December 2003—NewCo became Hospira.

The name Hospira (pronounced Hos-PEER-ah) communicates the focus of the business on the hospital customer and provides a glimpse at some of the company's unique qualities. Selecting the name was a major step forward in defining the new company's personality. Immediately following its selection, the branding team built on the characteristics of the new company and the research conducted to also develop the logo that would visually represent the name and associated brand guidelines.

Hospira's newly created graphic identity needed to be quickly interpreted to develop the intranet and Internet sites for the company. These two tools would provide information about the company to a variety of stakeholders on the date of Hospira's launch as well as visually depict the company's brand. And, like all other activities for launch, the involvement of a cross-functional team was

required and there was a short timeframe to build both platforms. Recognizing that electronic communications are intended to be dynamic, these teams still meet regularly to ensure content is fresh, updated, and accurate.

Countdown to launch

Hospira's communications launch planning began by holding discussions with executives and subject matter experts for each key audience to solicit information, opinions, and anecdotal feedback. To prevent a one-size-fits-all approach, Hospira emphasized audience analysis throughout the planning process. This would transform the 70-year-old entrenched culture of three separate divisions at Abbott into a single, re-energized, customer-centric company that, according to feedback from all stakeholders, was well positioned for the future.

It was extremely important for the strategic communications program to drive change, shape expectations, and ensure that all audiences understood the company's differentiated values and purpose. To ensure a successful launch, a customized communications approach for each target audience was necessary in order to:

- Build awareness of Hospira in the business world and hospital industry;
- Establish Hospira as a viable, attractive investment;
- Engage employees in driving Hospira future; and
- Retain and attract new customers and employees.

Employees

With more than 60 percent of Hospira's employees in manufacturing positions at geographically dispersed locations, launch celebration plans needed to be flexible to accommodate varied shifts and situations. A launch "manual" provided site managers with resources to customize launch-day activities,

including celebration options like showing a video with remarks from the CEO, serving a Hospira-decorated cake, raising a Hospira flag outside the facility, and holding employee BBQs and raffles. It was important to give each location the autonomy to prepare an appropriate and fun celebration for their facility. On launch day—May 3, 2004—employees demonstrated their enthusiasm by holding 22 unique launch events worldwide.

While the celebration manual provided a variety of options, some activities and experiences were common among all locations. For example, all employees received *The Integrity Advantage*, a book about reinforcing integrity in business, with a foreword written by Hospira's CEO, Christopher B. Begley. This book provides examples of how to bring integrity to life in a corporate setting. The company's 3,500 Spanish-speaking employees received a translated copy of the publication. Additionally, employees received the first edition of the company newsletter, *The Wellness Report*. All Hospira employee founders signed posters printed with the vision statement, which are now hanging in lobbies of facilities around the world. Hospira buildings displayed new signage and employees' computers were queued to launch the new intranet site upon log-in. Also, demonstrating that sometimes communication can be accomplished without saying a word, Hospira symbolically removed all identifiers of hierarchical status common under a larger corporate system by replacing expensive office furniture and eliminating priority parking based on employee title. Again, like the pre-launch communications and activities, it was important to help employees feel a changing culture by making them part of it.

To continue the momentum after launch, Hospira produced a commemorative video featuring clips from celebrations across the country. To align incentives, it was important for Hospira to know that by rewarding the company's customers and shareholders with strong service and positive results, they

would be rewarding themselves too. From the manufacturing line workers on up, the company gave virtually all U.S. employees several hundred Hospira stock options so that each employee would also be a shareholder.

There was still work to be done, and it was important to keep employees informed of progress. "Hospira Huddles" were introduced to help accomplish this goal. Each quarter, typically on the day of earnings announcements, senior leaders travel to different employee locations and share the financial results and updates on the business and milestones. These short, 15-minute, stand-up meetings allow employees to hear company information directly from executives and provide a forum for employees to ask questions or raise concerns. These "huddles" show a commitment to giving all employees access to information about the company directly from Hospira's management team in a timely manner.

To further supplement change efforts, management distributed wallet-sized tip cards to help employees embrace and demonstrate the company's

values. One side of the card summarizes the vision, values, and commitment. The other side asks two simple questions: "What's best for our customers

and shareholders?" and "What do you recommend?" The concept was simple—if Hospira was going to serve customers and shareholders better, employees needed to know what is best for these audiences, and had to be ready to speak up and take responsibility.

Customers

From the moment the spin-off was communicated to customers, the message was clear:

The concept was simple—if Hospira was going to serve customers and shareholders better, employees needed to know what is best for these audiences, and had to be ready to speak up and take responsibility.

- The spin-off would result in a more focused organization with the dedication, support, and resources necessary to address customer needs;
- The goal was to ensure that the transition to the new company was as seamless as possible for customers; and
- Company management was committed to communicating important changes as the transition progressed.

During the transition, customers were informed through regular interaction with Hospira's sales force and written communication to mark milestones. In the months leading up to launch, Hospira's management sent out weekly voice messages to the sales force communicating the most current information on the transition. Armed with this information, whenever a member of the team was interacting with customers, they would be prepared to answer questions and discuss transition milestones.

While all customer correspondence is typically handled by the Commercial organization, because of the need to communicate consistently across stakeholders, a member of Hospira's Public Affairs department provided counsel on the majority of transition-related

needs. Public Affairs also oversaw distribution for any mass customer correspondence that reinforced Hospira's strategic imperatives. This required that Public Affairs and Commercial

work towards the common goal of positioning the spin-off as an opportunity for Hospira to provide greater value to customers and their patients.

Throughout the transition, it became clear that someone needed to be responsible for making sure that the company's product

teams were linked. For a company of Hospira's size, customers would not tolerate a lack of understanding about the totality of the business. Each customer interaction was a chance to build the company's reputation. As a result, a new position was created: vice president of Strategic Marketing.

Some of the responsibilities of this vice president include overseeing projects that require collaboration by multiple product teams, ensuring that product teams are communicating consistent messages about Hospira's value proposition, managing Hospira's relationships with hospital administrators, and serving as a liaison to corporate departments such as Public Affairs and Marketing Services.

During the preparation for launch, the vice president of Strategic Marketing and Public Affairs team collaborated to implement a multi-stakeholder and multimedia customer communications plan on Hospira's launch day. Five senior leaders led an all-sales force conference call to encourage aggressive customer outreach on launch day and beyond. Outreach included phone calls and letters from Hospira management to key accounts and customer visits from reps who were armed with a presentation, a CD-ROM with a CEO message, magnets featuring Hospira's new toll-free number, and newly branded product catalogs. To connect with customers who could not be visited on launch day, the sales team crafted and sent personalized e-mails or letters built from previously supplied messages and template materials. The result: Hospira customers were proactive in visiting the company's Internet site; with the online product catalog one of the top five most frequently visited pages on launch day.

To institutionalize the brand, Hospira complemented customer launch communications efforts with significant operational changes. The combination of these efforts has led to:

- New customer contracts and accounts, the extension of customer agreements,

To connect with customers who could not be visited on launch day, the sales team crafted and sent personalized e-mails or letters built from previously supplied messages and template materials.

and stronger relationships with hospital group purchasing organizations; and

- Customer service and product inventory rates that are at a 13-year high.

The long-term value-add of this collaborative method is present in the way that Hospira Public Affairs approaches communications today.

Media

As with any campaign of this magnitude, communications to the media needed to be well thought out, because resulting placements would be closely evaluated by customers, investors, employees, regulatory bodies, and communities. In preparation for launch media activities, the Public Affairs team partnered with Fleishman-Hillard, Inc. to develop and execute the media campaign.

Public Affairs targeted medical trades, national business media, and outlets in the Chicago area (home of the company headquarters). The team held desk-side briefings with key reporters, worked with the New York Stock Exchange (NYSE) media team to pre-pitch national business broadcast outlets, and distributed customized press materials including: four b-roll packages, four pitch angles and e-mails, three media alerts, and a news release that was translated in nine languages and/or dialects. The Public Affairs team leveraged customer testimonials in b-roll footage and media interviews. Fleishman-Hillard worked with the team to aggressively pitch and follow up with media—including medical trades with lengthier lead times. To supplement the media relations efforts, Hospira ran paid advertisements in local papers in site communities with a “Pleased to Meet You...Again” theme reinforcing Hospira as a new company with 70 years of experience. This ad also ran in top medical trades as part of a three-part customer advertising campaign.

The launch media program secured more than 160 media stories and 60 million media impressions, including interviews on

CNBC, Bloomberg, and CBS MarketWatch and coverage on the major wires and in the top-tier dailies. In addition, Hospira’s management team rang the NYSE opening bell on May 3, which airs hundreds of times a day on television shows across the country. Analysis of the media coverage shows an 85 percent overall key message pull-through of Hospira’s values and vision.

Beyond launch

Today there are closer ties between key functions responsible for communica-

tions, such as Marketing, Sales, Public Affairs, and Customer Service. Prior to the execution of major communications projects, multiple functions collaborate to ensure consistent messaging across all stakeholders. These teams are now able to work more effectively through streamlined communications processes and the unspoken agreement that, driven by the company’s vision, values, and commitment, each employee is responsible for Hospira’s destiny and must work together to ensure its success.

As a result of being connected by a common cause, employees are more engaged at Hospira and ownership as a shareholder with a clear business strategy can lead to the company’s ongoing success. Hospira’s brand and culture are also attracting high-quality employees with little solicitation—driving up hiring by more than 40 percent compared with pre-launch.

If overall success is measured by Hospira’s ability to live up to commitments and execute on business strategies, the company’s progress has been excellent. Hospira has launched new products, increased its product pipeline, and enhanced customer service. Financial results also echo this success. In 2004, Hospira’s stock price was extraordinarily strong

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and exceeded overall market performance by more than 14 percent. Hospira's stock from May 3, 2004—when the company began trading as HSP—through June 30, 2005, the last day of the second quarter of 2005, has increased 44 percent. During the same time frame, the S & P Healthcare index has decreased by 0.6 percent.

Cultural changes and paradigm shifts are certainly evolutionary transformations and must be evaluated over time. While Hospira's effort to build awareness and name recognition is ongoing, the unique endeavor of creating a new company provided tremendous opportunity to enhance the company's processes, including the implementation of a more integrated marketing communications approach.

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