



SCHOOL OF ECONOMICS
AND MANAGEMENT
Lund University

CORPORATE SOCIAL RESPONSIBILITY TO WHAT EXTENT?

An Analysis of the Pharmaceutical Industry

Elin Bergwall
Mary-Sienbo Tam

**Masters Programme:
International Marketing and Brand Management
BUS 809 Master Thesis**

Advisors:
Frans Melin and Mats Urde

ABSTRACT

- Title:** CORPORATE SOCIAL RESPONSIBILITY TO WHAT EXTEND? - An Analysis of the Pharmaceutical Industry
- Date of the Seminar:** 1st of June, 2006
- Course:** BUS 809 Master Thesis in International Marketing
- Authors:** Elin Bergwall
Mary-Sienbo Tam
- Advisors:** Frans Melin
Mats Urde
- Keywords:** Corporate Social Responsibility, Stakeholders, Corporate Reputation, Pharmaceutical Industry, Case Study
- Thesis purpose:** Our ambition is to investigate the perceived Corporate Social Responsibility (CSR) concept and to identify what expectations the key stakeholders have on the pharmaceutical industry, in order to understand how CSR can improve the reputation. This research will then work as a guideline to develop a case study based on this issue.
- Methodology:** To fulfil the research purpose a social constructed view has been conducted with an inductive theoretical approach. The research design used is explorative based on a qualitative study.
- Theoretical perspective:** The main theories the study is based on are Corporate Social Responsibility, Stakeholder Theory, Corporate Reputation including Corporate Identity/Image and Corporate Communication.
- Empirical data:** To complete our empirical data, both secondary and primary data have been used. The secondary data are mainly based on information concerning the pharmaceutical industry and the HIV/AIDS epidemic, while the primary data is grounded in the in-depth interviews with stakeholders in the pharmaceutical industry.
- Conclusion:** CSR can be perceived as a corporate reputation enhancing tool, however it can also put pressure on corporations to behave as good corporate citizens responsible for their stakeholders. All stakeholders' interests therefore have to be considered in order to improve corporate reputation.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	4
1.1 Problem Discussion	4
1.2 Research Questions	6
1.3 Research Purpose	6
1.4 Delimitations	6
1.5 The Outline of the Study	7
CHAPTER 2: METHODOLOGICAL APPROACH	8
2.1 Primary Data Collection	8
2.1.1 Qualitative Study	9
2.1.2 Case Study Strategy	9
2.1.3 In-Depth Interview	9
2.1.4 Telephone Interview	10
2.1.5 Question Structure	10
2.1.6 Sampling Design	12
2.2 Secondary Data Collection	14
2.3 Case Study	14
2.4 Validity, Reliability and Generalizability	15
CHAPTER 3: REVIEW OF LITERATURE	16
3.1 Stakeholder Theory	16
3.2 Corporate Reputation	18
3.2.1 Corporate Identity and Image	18
3.2.2 Corporate Communication	19
3.3 Corporate Social Responsibility	19
3.3.1 The Pyramid of CSR	20
3.3.2 The View of Corporations	21
3.4 Conceptual Framework	22
CHAPTER 4: EMPIRICAL RESULT	24
4.1 Secondary Data	24
4.1.1 The Pharmaceutical Industry	24
4.1.2 The Pharmaceutical Industry's Reputation	25
4.1.3 CSR and the Pharmaceutical Industry	27
4.2 Primary Data	28
4.2.1 The Pharmaceutical Stakeholders	28
4.2.2 The Perception on CSR in General	28
4.2.3 Perceptions and Expectations of the CSR Reputation in the Pharmaceutical Industry	29

CHAPTER 5: ANALYSIS	31
CHAPTER 6: CONCLUSIONS	35
6.1 Reflections	38
6.2 Directions for Future Research	38
6.3 Theoretical Implications	39
6.4 Managerial Implications	39
CASE STUDY	41
BIBLIOGRAPHY	45
APPENDIX 1: Interview Questions in English	
APPENDIX 2: Interview Questions in Swedish	

CHAPTER 1

INTRODUCTION

This chapter provides a general introduction to the topic that is divided into five main parts, starting with the problem discussion of the research area. The second part consists of the research questions, which needs to be considered in order to answer the third section, which is the research purpose. The fourth part will then discuss the delimitation in the study. The fifth section provides an outline of the contents for each of the subsequent chapters in this study.

1.1 PROBLEM DISCUSSION

We are living in a dynamic information age, where information is easy accessible and constantly flowing across borders. Media are constantly keeping consumers updated and aware of what is happening around the world, especially within the field of ethics (Hurst, 2006). This makes it difficult for companies to hide its flaws and create a sense of pressure to behave as 'responsible' citizens in order to protect their reputation. The corporate reputation concept is hence growing and more companies are realizing that they cannot stay mute and visible. They have to be visible in their actions to maximise their reputation of goodwill (Kapferer, 2004:30). Still, one industry that has received bad publications concerning ethics from the media is the pharmaceutical industry (Porth et al, 2006). The pharmaceutical industry is a very complex and controversial industry, arguably with the rationale based on the most fundamental principle of free market economics: high risk deserves high rewards. This is due to the high risk and cost involved in Research and Development (R&D), especially since just a small percentage makes it through the long and costly process of being a commercial drug (Spinello, 1992). Still, one might wonder why an industry that develops drugs that have helped to extend the life spans of so many people can receive such bad publications, hence negative reputation (Borman, 1999).

One of the reasons for this intense criticism of the pharmaceutical industry is the worldwide HIV/AIDS epidemic. Despite recent, improved access to treatments and drugs in many regions of the world, the AIDS epidemic has claimed 3 million lives in 2004, and there is still an estimation of 40 million people living with HIV today (UNAIDS, 2006; WHO, 2006; and Collins, 2001). Unfortunately many people in the developing countries where the crisis is most intense cannot afford these expensive treatments and the drugs provided by the pharmaceutical industry (Borman, 1999). Still, there is seemingly a belief in the pharmaceutical industry that by trying to find solutions of new drugs that can improve people's health, it is enough to pass as an ethical act. Whereas others perceive it as unethical by charging a high price on the drugs for the people in need (Johnson et al, 2005). The reason for the high price is a consequence of the industry's unique cost structure, which is dependent on the patent (Calfee et al, 2004). With constant increase in research spending due to difficulties to get an adequate return on investment, patent protection can ensure an ability to sustain innovation. Patent protection can hence be described as the lifeblood of the pharmaceutical industry (Borman, 1999). However, another intense criticism concerns

whether the pharmaceutical industry is acting in an ethical way by having high profit by focusing on developing drugs that are “costume made” for the rich countries’ health, instead of the Third world’s diseases (Bennett, 2006).

Having a damaged reputation can affect employees and customers loyalty, as well as financial well-being. It is thus important to acknowledge that reputation has a lot to do with trust and expectation, hence concerns the company as a whole since it can reunify all stakeholders and all functions (Coelho, 2003). Still, one might wonder if the pharmaceutical industry really needs to have a good reputation to survive since they have products that are essential to people’s health, hence products that people cannot live without. However, international HIV drug prices and patents have generated the most bitter criticisms to date, bringing serious threats to the industry’s foundations concerning intellectual property.

The pharmaceutical industry might hence need to consider improving their reputation. Having a good corporate reputation can provide stakeholders a sense of reassurance of what the company will deliver, hence build trust (Argenti et al, 2004). One of the most reputations enhancing tool is the Corporate Social Responsibility (CSR). However, the CSR concept can be perceived as a very broad and vague definition since it means so many different things from being responsible to the shareholders, employees, environment, and to society at large (Coelho, 2003; and Tyrrell, 2006). Furthermore, many see corporate existence merely is in terms of profit rather than service to the community, hence questioning corporations’ authenticity towards CSR. Nevertheless, being a good corporate citizen has been moved up to a higher level in the corporate agenda with more and more companies implementing CSR and many pro CSR advocates argue that corporations should exist to deliver something more to the society than only profits (Economist, 2005c; and Tyrrell, 2006).

However, the main dilemma for corporations implementing CSR is still when there is a disagreement of interests between the stakeholders that can lead to conflict in perceived responsibility. Health concerns many people, one might thus believe that the pharmaceutical industry has more stakeholders that are interested and affected by the industry’s decisions. As seen in the case of HIV/AIDS incident, stakeholders and the public can pressure governments and other regulatory institutions to execute regulations that can influence the industry negatively. In order to achieve good reputation it is therefore vital that the corporation meet all the expectations of their stakeholders, as well as acknowledge that stakeholders’ interests and expectations in the pharmaceutical industry are often much wider than merely financial rewards (Johnson et al, 2005). However, conflicting interest amongst stakeholders on what the “right thing” is together with ethical sensitivity, increasing competition, and a hyperactive media have combined to create a very difficult management situation (Coelho, 2003). Does the corporation exist merely to maximize the profits to survive in the competitive world economy and to satisfy the shareholders or do corporations and managers have a broader responsibility to the society at large? In order to investigate into this issue, four research questions have been developed in order to gain a greater understanding of this dilemma.

1.2 RESEARCH QUESTIONS

- What is the perceived importance of the CSR concept amongst the pharmaceutical industry's key stakeholders?
- What are the key stakeholders' perceptions on CSR in the pharmaceutical industry?
- What CSR expectations do the key stakeholders have on the pharmaceutical industry?
- How can CSR improve corporate reputation?

1.3 RESEARCH PURPOSE

Our ambition is to investigate the perceived CSR concept and to identify what expectations the key stakeholders have on the pharmaceutical industry, in order to understand how CSR can improve the reputation. This research will then work as a guideline to develop a case study based on this issue.

1.4 DELIMITATIONS

The key stakeholders identified in our research are based on the stakeholder theory in the theoretical chapter, see Figure 1, and the results of the respondents from the sampling design in the methodological section, see Table 1. Furthermore, the key stakeholders selected are based on the pharmaceutical industry in general and not on a particular pharmaceutical company, this is because it would mean that we would need to have access to a pharmaceutical company's primary stakeholder's information, such as supplier and customer lists etc. Therefore, by basing the key stakeholders on the pharmaceutical industry it will provide us easier access to the information needed compared to if they were based on a pharmaceutical company. Another important issue to notice is that the key stakeholders in this research do not include the end-consumers perception due to the complex sales channel levels involved in the pharmaceutical industry when it comes to Prescription Only Medicines (POM), also called ethical drugs. These types of drugs must be prescribed by a doctor hence the patient has less power to influence. We do acknowledge that there are other types of drugs in the pharmaceutical industry, however our research is based on the dilemma concerning the expensive patented drugs, hence drugs referred in this paper are related to POM and ethical drugs.

Furthermore, the ethical dilemma selected involves both the developed and developing markets. This is because most of the pharmaceutical industry is based in the developed markets, whereas the AIDS/HIV epidemic situation is most intense located in the developing countries. However, due to obvious time and budget limits, as well as difficulties to access information and respondents in those markets, this study is based solely on the pharmaceutical industry in Sweden, which is a developed country hence might generate a more western perspective. Nevertheless, one of our respondents is from the Red Cross, which is a humanitarian international organization and has worked in the developing countries thus, can provide us with some adequate information.

The pharmaceutical industry is perceived to have a bad reputation, however in order for the industry to enhance their reputation it is important to acknowledge that they cannot do that

without the support and cooperation of all the pharmaceutical companies. Our research will hence be looking at the pharmaceutical industry concerning the bad reputation and perceived importance of CSR as well as expectation based on the industry. However we will provide suggestions on how each individual pharmaceutical company can increase their reputation, hence collectively increase the industry's reputation.

1.5 THE OUTLINE OF THE STUDY

Chapter 1: provides a general introduction to the topic that is divided into five main parts: *Problem Discussion, *Research Questions, *Research Purpose, *Delimitation, and *Outline of the Study.

Chapter 2: presents a summary of the research methods employed in this study. It is divided into four sections: *Primary Data Collection, *Secondary data, *Case Study, and *Validity, Reliability and Generalizability.

Chapter 3: the literature review chapter examines different theories needed to conduct the research, which is divided into four sections: *Stakeholder Theory, *Corporate Reputation, *Corporate Social Responsibility, and *Conceptual Framework.

Chapter 4: presents the empirical results of this research, which is divided into two main sections: *Secondary Data, and *Primary Data.

Chapter 5: This chapter looks at both the Review of Literature (chapter 3) and the Empirical Result (chapter 4) in order to analyse the key issues and provide a summary of the discussion in order to answer the research questions.

Chapter 6: this chapter presents the conclusions, which is divided into five parts: *the main conclusions, *Reflections, *Directions for future Research, * Theoretical Implications, and *Managerial Implications.

CHAPTER 2

METHODOLOGY

This chapter provides a summary of the research methods employed in this study, which aims to achieve the research purpose as discussed in the previous chapter. It is divided into four sections, starting with primary data collection, which examines the qualitative interview approach and sampling taken in order to obtain accurate information. The second section involves secondary data, how previous information within the subject has been collected. Thereafter the third section, which discusses the methods used in order to obtain necessary information needed to conduct a Case Study. Finally, the fourth section examines validity, reliability and generalizability of the study.

2.1 PRIMARY DATA COLLECTION

The philosophical view of this study is grounded on interpretivism, as the reality is seen as being socially constructed, and the necessity to discover details of a situation in order to understand the “reality” (Saunders et al, 2003). The “reality” is to explore subjective meanings with focus on what people, individually and collectively are thinking and feeling (Bryman et al, 2003; Easterby-Smith et al, 2002). This philosophical view is considered as a good base to obtain suitable information to achieve the research purpose, since we want to investigate the perceived CSR concept among the key stakeholders in the pharmaceutical industry, and explore their expectation of the pharmaceutical industry. According to Singhapakdi et al (1996) issues within the field of ethics are very sensitive and do not provide any obvious resolution of a moral problem that is equally satisfactory to all people. Therefore interpretivism is the most appropriate view for this research, since it attempts to explore and understand different key stakeholders’ view in the pharmaceutical industry regarding CSR, which is often perceived as vague and ambiguous concept due to conflicting expectation and perception on what the “right thing” is (Coelho, 2003 and Saunders et al, 2003).

In order to explore our research questions and to achieve the research purpose, we have used an inductive approach since it provides us the opportunity to explore and investigate deeper into the key stakeholders perception and expectation of CSR in the pharmaceutical industry. During the whole process of conducting this study the theories have been changed several times to suit the empirical findings as well as the purpose, which is an indicator of an interactive approach (Bryman et al, 2003).

This study will take an exploratory design to achieve the research purpose by further clarifying ambiguous problems that are naturally difficult to investigate. This approach provides us, as the researchers’, opportunities to ask questions to the key stakeholders in the pharmaceutical industry to obtain insights and to better understand their thoughts within CSR, which is a vague and complex concept (Zikmund, 2003; Malhotra et al, 2003; and Saunders et al, 2003).

2.1.1 QUALITATIVE STUDY

Since our study is explorative and we want to explore and understand different key stakeholders view on CSR, a qualitative study is the most suitable way of gathering the primary data. The purpose of this research is to generate knowledge and to understand different key stakeholders' subjective meaning concerning the pharmaceutical industry's CSR, therefore we have considered a qualitative approach as the most suitable alternative (Easterby-Smith et al, 2002). Another reason is that the nature of the questions asked to the respondents. It can be perceived as towards the sensitive nature and the topic is covering a complex phenomenon due to CSR, which is difficult to capture, hence requires qualitative investigations (Malhotra et al, 2003; Easterby-Smith et al, 2002; Bryman et al, 2003).

2.1.2 CASE STUDY STRATEGY

The research strategy we have conducted in our study is based on a case study; since we want to study an intensive examination of the pharmaceutical industry's setting as well as the key stakeholders' expectations and perceptions regarding the pharmaceutical industry's social responsibility in order to achieve the purpose. A case study is therefore seen as the most suitable alternative. An important question to be asked in planning the research is whether it will be a longitudinal design or not. Since we had a limited amount of time, and wanted to study a particular phenomenon, the research will be a case study over a short period of time. The reason for not choosing a longitudinal study is due to the time restrictions, and also that we are not going to investigate the changes and development of the phenomena. We wanted to gather the data from different key stakeholders' perspective on CSR during a specific time period (Saunders et al, 2003).

2.1.3 IN-DEPTH INTERVIEW

In order to have a discussion with our respondents and be able to obtain as relevant and accurate information as possible, a direct technique will be necessary, which means that the purpose of the research is not disguised to the respondents. However, even if the purpose of the study is revealed, the extent to when the purpose is made known may vary to the respondent. The major direct techniques are interviews, which are conducted in this study. Having a verbal communication provides us a deeper understanding of their perceptions and expectations within the subject, CSR. Ethical decision is often perceived as situation-specific based, which means that an ethical dilemma is often judged within the situational context (Singhapakdi et al, 1996). It is therefore crucial to have respondents that understand the complex nature of the pharmaceutical industry in order to provide accurate information. Therefore we have chosen the key stakeholders with an intense knowledge within the industry, so that we could have a discussion with our respondents about the topics, without first having to explain the industry. Furthermore, interviews can uncover underlying motivations, beliefs, attitudes and feelings that might be perceived as sensitive. However, we have in our study considered the disadvantages with interviews, which are the difficulties to analyze and interpret the data, since the way the respondents express themselves and whether they are withholding information can be difficult to interpret (Malhotra et al, 2003).

Interviews can be divided into two sections: focus groups and in-depth interviews. In this study in-depth interview is considered as the most suitable option to obtain the primary data. The reason for this method is to avoid the respondent being influenced by other respondents, which can occur in focus groups. Still, focus groups can be considered as an alternative,

having all the stakeholders from different background and sections discussing the same topic can provide some very interesting discussion and information. However, this is not an option due to the time limit, budget restraint, and lack of interview skills to conduct this kind of focus group as well as difficulties to arrange a suitable time and location where all the stakeholders can meet. Furthermore, we want to have a dialogue with each respondent on all the topics covered, since we want to compare the findings. Besides, we choose to have one-to-one interviews because it offers an atmosphere of confidentiality and sincerity, which makes the respondents relaxed and more likely to reveal themselves, especially when discussing sensitive issues compare to a focus group (Zikmund, 2003).

2.1.4 TELEPHONE INTERVIEW

Most qualitative interviews occur on a face-to-face basis, but interviews can also be conducted by telephone in particular circumstances. In this study we have conducted both techniques, since interviews by telephone have the advantages that it is easy to access, less time consuming and relatively low cost compare to conducting face-to-face interviews (Saunders, 2003). Some of our respondents lived in a remote area, therefore telephone interviews are conducted due to time limits and budget restrains of the researchers. However, face-to-face interviews have been conducted with those respondents that live near by in the Skåne region. In order for the result to be as accurate as possible we have considered the main difference between telephone and face-to-face interviews, which is the absence of the body language that can provide us, as the interviewer, greater in-sight and understanding of the respondents. Furthermore, there is a greater tendency to record no answer or incomplete answers in telephone interviews compared to face-to-face interviews. Still, having a telephone interview can generate the respondents to become more willing to answer embarrassing or confidential questions since they cannot see the interviewer writing down the comments that can be distracting them (Zikmund, 2003).

2.1.5 QUESTION STRUCTURE

A question asked to the respondents could be structured or unstructured. Having structured questions, which means pre-specified questions with a set of response alternatives, would make it easier for us, as the researchers, when comparing the answers amongst different stakeholders. Still, ethics is a sensitive issue with no resolution of a moral problem (Singhapakdi et al, 1996). Therefore, only basing the interview questions on a structured format would not provide sufficient information needed for this research. Unstructured questions on the other hand involves open-ended questions that respondents can answer in their own words, and that is also not an option, since we wanted some guidelines in order to understand the respondents perceptions and expectations regarding CSR and also because we wanted to have a discussion and compare the results among our respondents (Malhotra et al, 2003). A combination of both structured and unstructured interviews, which is called semi-structured interviews, will therefore be used for this research. We, as the researcher, had a list of themes or guideline questions to cover with opportunity for follow-up questions for deeper discussion in those cases where it is needed (Andersen, 1994; and Zikmund, 2003). Question wording is the translation of the desired question content and structured into words that respondents can clearly and easily understand (Malhotra, 2003). There was some difficult business terms used in the research, such as CSR. However, this term was defined and explained in the beginning of every interview to provide the respondent with the same definition of the term to avoid misinterpretation and misunderstanding.

QUESTIONS

The questions used during the interviews are developed to answer our research purpose based on the information provided during our reflection over the literature review. There are nine main questions developed; however, since we are having a semi-structured approach, there can be opportunities for follow up questions. According to Holme et al (1997) it is important that the questions are realistic in numbers and not too many in order to prevent the respondents to get bored, this is why we consider nine questions as a suitable number. The questions in the right order are represented in Appendix 1 in English and in Appendix 2 in Swedish, since all the interviews were conducted in Swedish.

The questions are divided into two sections: “the perception on CSR in general” and “the perception on CSR in the pharmaceutical industry.” The reason for dividing the questions into two sections is to investigate the respondent’s pre-perception on CSR before comparing it to the CSR perception when it comes to the pharmaceutical industry in order to see if there is any change. Furthermore, the respondent’s answers can be influenced by pre-perceptions, experiences and/or the pharmaceutical industry’s reputation that might influence them to have another perception on CSR. Hence, in order to investigate how the respondents perceive CSR in general, it is not put into any specific context. By doing this it is easier for us to identify what CSR the respondents think is important and should be prioritized. The general questions on CSR asked are:

- Do you think that corporations in today’s society are taking social responsibility in general?
- Do you think that each individual corporation should take social responsibility? (Why/Why not?)
- What social responsibility should be prioritized in your opinion?
- Do you think that social responsibility is a relevant issue?
 - If yes, are there any limits or boundaries to social responsibility?

When relating the CSR questions with the pharmaceutical industry, our intention is to see if there is any change in CSR priority. Moreover, to explore whether the respondents feel they can influence the pharmaceutical industry. Furthermore, since our research purpose is to investigate the perceived CSR concept and to identify what expectations the key stakeholders have on the pharmaceutical industry, in order to understand how CSR can influence the corporate reputation, hence the development of these questions:

- How do you perceive the pharmaceutical industry concerning social responsibility?
 - Do you think that the pharmaceutical industry should be social responsible? (Why/Why not?)
- Do you think that the pharmaceutical industry should take bigger social responsibility towards the society compare to other industries e.g. Fashion, Car Industry etc?
- What reputation do you think that the pharmaceutical industry has? (Positive, Neutral, Negative/Why?)
 - If negative, should the pharmaceutical industry try to improve their reputation?

- Do you think that different stakeholders can influence the pharmaceutical industry's decisions concerning social responsibility? (How?)
- Do you see any change in the pharmaceutical industry concerning greater social responsibility in the future? (Why?)

2.1.6 SAMPLING DESIGN

A sample is a subgroup of the elements of the population selected for participating in the study (Malhotra et al, 2003; and Zikmund, 2003). In order to collect as valid, reliable and generalizable data as possible, information concerning how samples was created is highly essential. Having an understanding of the creation can help to decrease potential sources of error that might affect the whole research design. The reason why a sample design is chosen is because there is lack of time and budget restrains to conduct a census design, which is a complete enumeration of the elements of a population (Malhotra et al, 2003). A census design might be seen as appropriate if the target population is small, however our research purpose is to obtain information from the pharmaceutical industry's stakeholders. The target population is hence considered as a very large target population meaning a census design is perceived as unrealistic.

Furthermore, since the target population is very large, it must be defined precisely. Imprecise definition of the target population can lead to inefficient or misleading results. This leads us to identify the sampling frame, which is a representation of the element of the target population that consists of a set of directions (Zikmund, 2003). As stated, our research is based on the topic on pharmaceutical industry and CSR, the main criterion to be selected on this research is therefore based on:

- The respondents must have some interest or/and involvement with the pharmaceutical industry or have knowledge within the field of CSR.

Non-probability sampling techniques will be used since the respondents needed for this research has to fulfil certain criteria due to specific knowledge concerning the pharmaceutical industry and the CSR. Furthermore, non-probability sampling relies on the personal judgement of the researcher rather than the use of chance to select the respondents as in the case of probability sampling (Malhotra et al, 2003). After reviewing several literatures, the stakeholder model, see Figure 1, was identified as an appropriate guideline to base the judgemental sampling on when selecting the respondents. A stakeholder is defined as any group or individual who is interested in the organization's objectives and that can either affect or is affected by the organization's achievement and decision. Stakeholders can then be divided into two groups, a *primary* (contractual agreement), and a *secondary* (non-contractual agreement) (Neville et al, 2005; and Brytting, 1998). The sampling frame has therefore been conducted in the same way, selecting the respondents from a variety of different stakeholders sections in order to gain as complete a picture as possible, see Table 1.

Table 1. Sampling Framework

	Stakeholders	Potential Respondents	Actual Respondents
Primary Stakeholders	Shareholder	<i>Shareholder:</i> *Hoang Duong	
	Employee	<i>Novartis:</i> *Jeanette Ericsson, Logistic <i>AstraZeneca:</i> *Bengt Lindberg, Global Drug Safety Physician	<i>AstraZeneca:</i> *Bengt Lindberg, Global Drug Safety Physician
	Supplier	<i>Institute of Clinical Sciences, Sahlgrenska:</i> *Paula Kiiveri, Researcher	<i>Institute of Clinical Sciences, Sahlgrenska:</i> *Paula Kiiveri, Researcher
	Customer	<i>Private Medical Clinic, Munsö:</i> *Thomas Iveroth, Dr <i>Apoteket:</i> *Ebba Persson, Pharmacist	<i>Private Medical Clinic, Munsö:</i> *Thomas Iveroth, Dr
Secondary Stakeholders	Community	<i>Red Cross:</i> *Peter Hodgson <i>The Swedish Association of the Pharmaceutical Industry:</i> *Håkan Mandahl, Vice VD <i>Doctors Without Borders</i> <i>Ethic Academy [Etikakademin]:</i> *Claes Trollestad, Researcher and Consultant *Thomas Brytting <i>WHO:</i> *Kees de Jocheere, Regional Adviser Pharmaceuticals	<i>Red Cross:</i> *Peter Hodgson, Consultant <i>The Swedish Association of the Pharmaceutical Industry:</i> *Håkan Mandahl, Vice VD <i>Ethic Academy [Etikakademin]:</i> *Claes Trollestad, Researcher and Consultant
	Government	<i>Parliamentary Standing Committee on Social Affairs:</i> *Lena Jonsson, Principle for Medical-Ethic Issues <i>Ministry of Health and Social Affairs</i> *Cristina Husmark Pehrsson *Catherine Persson *Chatrine Pålsson <i>Swedish National Institute of Public Health</i>	

After identifying the different stakeholders that fulfil the criterion, the Swedish telephone directory “Gulasidorna”, the Internet and acquaintances were used to find the target population. Then, e-mails were first send out to the potential respondents explaining the research purpose and asked for a potential time for either face-to-face or telephone interview. We send out 17 emails, due to the knowledge that not all the respondents will respond or be able to participate. There were 6 responding out of 17 emails send out. Whereas 2 were face-to-face interviews and the rest were through telephone interviews. A total of 6 interviews are considered as a feasible size because increasing the sample size does decrease sampling error, however it may also increase non-sampling error such as increasing interviewer errors (Malhotra et al, 2003). Furthermore, a small sample group might reduce the validity when generalizing the population (Easterby-Smith et al, 2002). However, some critics believe that

qualitative research findings cannot be projected to a larger population, since the research will not be valid enough (Malhotra et al, 2003). Still, the respondents fulfil the criterion as well as have knowledge within the area, hence the sample size will be enough to provide suitable information to this research.

2.2 SECONDARY DATA COLLECTION

Secondary data is information gathered and recorded by someone else prior to the current needs of the researcher. There is already information existing concerning the pharmaceutical industry's and CSR reputation, although from a public perspective. It would therefore be inefficient to conduct a new research in that field, which will lead to more work, when the information can be obtained easily by using secondary data collection. Furthermore, the primary advantage of secondary data is that it is almost always less expensive than acquiring primary data (Zikmund, 2003). The secondary data collected for this research are hence based on articles from Lund University's electronic database and other publications, newspaper and Internet based information that are relevant to the research. Arguably, this study could have been conducted based solely on secondary data collection by investigating existing and previous publications and dialogue concerning the pharmaceutical industry and the CSR reputation. However, this approach might generate some bias due to incomplete or inaccurate picture, and old or lack of relevant information to the issue (Malhotra et al, 2003). Furthermore, as mentioned earlier, the research purpose is not to obtain information from the public's perspective, but rather from a stakeholder's perspective. A combination of both primary and secondary data collection will therefore be used to complement each other for this research.

In this study, due to the problem of having access to information regarding pharmaceutical companies we have decided to collect information from the pharmaceutical industry in general. The companies could not for example give us information regarding the recoup of the R&D and costs of drugs. Therefore we decided to generalize all pharmaceutical companies into one industry and gather the secondary data in the empirical findings due to the pharmaceutical industry. Still, in our conclusion we have come up with solutions to increase the reputation for the pharmaceutical companies. Information concerning the pharmaceutical industry's reputation has been obtained from publications, news and other information from the media.

2.3 CASE STUDY

The first part of the case study was conducted as a normal research paper, starting with full investigation into different areas such as research problem, collecting both theoretical and empirical data, then analyse the findings and provide it in a discussion and conclusion. The first part of conducting a case study provides us with a theoretical and practical framework to base our Case Study on.

Due to the theoretical and practical framework, the case study will be developed and formulating as a story to put the reader into a situation, in our case "a dilemma". There are no right or wrong answers to a Case Study, however we have developed some questions, a base for within which area we would like the reader to reflect upon. The case study will be structured as:

Introduction: The reader will be put into a situation with a dilemma to solve.

The EBST Pharmaceutical Brief and Assignment: Sufficient information concerning the pharmaceutical industry and the dilemma will be provided as an EBST Pharmaceutical brief.

Reflections: Will provide the reader with some thoughts concerning what to think about when solving the problem.

2.4 VALIDITY, RELIABILITY AND GENERALIZABILITY

As mention earlier we see the “reality” as being socially constructed and the necessity to discover details of a situation in order to understand the “reality”. Therefore, it is important to explain the research process and the choices made and in order for the study to be more trustworthy. We have therefore in this section examined the thesis based on the validity, reliability and generalizability (Saunders et al, 2003).

Validity concerns whether or not the study clearly gains access to the experiences of those in the research setting (Easterby-Smith et al, 2002). We have in the beginning of every interview with our respondents provided the CSR term, in order for the respondents to have the same definition, since that term is vague and complex. Therefore, all the respondents were knowledgeable within the topic and could provide us answers to the questions. Another aspect to consider is the objectivity and the subjectivity of both the researchers and the respondents. We, as the researchers need to be aware of that the respondents might lack objectivity when analysing the data. Furthermore, we need to be aware of our own self-bias, by being influenced by our own subjective values and opinions. Another factor to consider is the language barriers which could hamper the result. This due to that the interviews were conducted in Swedish, and then being translated to English for this paper. Some of the information might therefore have been lost in the translation. In addition, both telephone and face-to-face interview were conducted due to the time and budget restrains. This can be perceived to affect the validity of our research, however we are aware of this problem and have taken it under consideration when analyzing the results. The next question asked is the reliability of the thesis.

Reliability refers to the transparency in how sense was made from the raw data (Easterby-Smith et al, 2002). The raw data obtained are provided by the respondents which are selected through the sample criteria. This has been explained and displayed in the sample design. For the research to be more reliable we could have interviewed a larger sample size and different stakeholders, but a larger study would have required considerable time and money, hence not an option.

From the insight of the reliability and the validity, the question refers to generality, which is whether the concept derived from this study has any relevance to other settings (Easterby-Smith et al, 2002). The outcome of the theoretical discussion in chapter three is a conceptual framework that can work as a framework to other contexts and industries, since this model is not limited to suit only the pharmaceutical industry. However, the empirical findings are limited to the pharmaceutical industry and differ in time as well as the stakeholders’ perceptions and expectations since the debate and opinion in the society always changes. The primary data has also been conducted on different key stakeholders on a national geographic area, Sweden, which could generate a bias of the result to apply in other countries. Furthermore, this research has been developed to explore a sensitive issue, ethics in the pharmaceutical industry and can therefore also work as a framework to other settings dealing with ethics issues or a base for potential further research in this topic.

This chapter has explained the process made in order to obtain the data needed to achieve the research purpose. In the next chapter an overview of different past theoretical studies will be provided in order to gain a more in-depth understanding of the issue.

CHAPTER 3

REVIEW OF LITERATURES

This chapter provides an overview of past studies conducted within the issue based on the research purpose and is divided into four main parts; beginning with the discussion of the stakeholder theory contra the traditional financial perception. Exploring different factors that can influence a corporate reputation and then discussing the concept of Corporate Social Responsibility (CSR) will follow. Furthermore, in order to have a more flow in the text we have decided to use both the words CSR and social responsibility with the same definition, since the theories we have been studied has used the words in similar ways. Finally in the last part, to conclude all the theories, a conceptual framework has been developed to illustrate the different essential factors that can influence an organization in order to provide an understanding of what data needs to be obtained.

3.1 STAKEHOLDER THEORY

Stakeholders have been defined as any group or individual who can affect or is affected by the achievement of the organization's objectives. The stakeholder theory views the organization at the centre of a network of relationships with various stakeholders (Neville et al, 2005; and Brytting, 1998), see Figure 1. While the traditional financial perception on the other hand, has a more primary function with corporations focusing on maximizing the returns on investments to the shareholders. In order to do that the firm would hence only deal with the needs and wishes of four parties: shareholder, employee, supplier, and customer (Gibson, 2000; and Brytting, 1998). The stakeholder model on the other hand recognizes that there are more parties involved that need to be taken into consideration, including governmental bodies, political groups, trade associations, trade unions, communities, associated corporations, etc (Coelho, 2003). Hence it is measured in a much more pluralistic way than just through the traditional financial perception. It is also important to acknowledge that stakeholder's interests and expectations are often much wider and can take different directions than merely financial rewards (Johnson et al, 2005). The stakeholders thus have the potential to either help or harm the company by affecting profitability or a corporation's reputation and image (Gibson, 2000, Johnson et al, 2005; and Coelho, 2003).

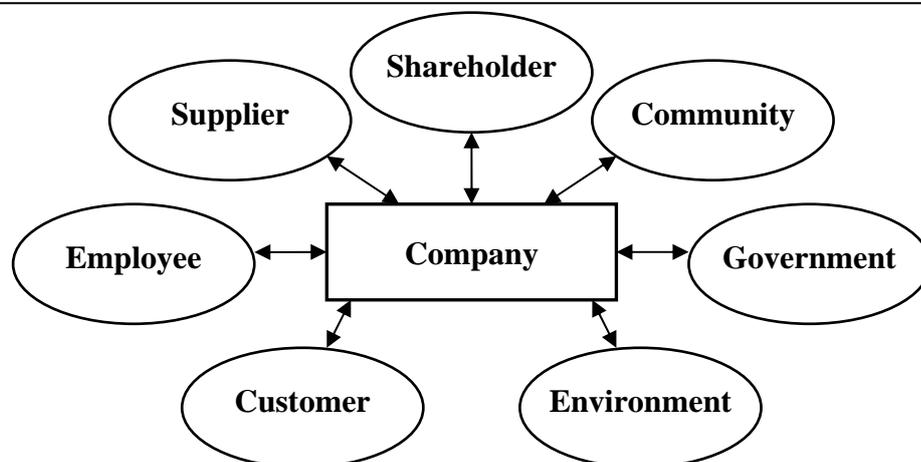


Figure 1. Stakeholder Model (Brytting, 1998; and Rhenman, 1964)

The stakeholders can be divided into two groups, primary and secondary stakeholders. The primary stakeholders are those actors who have a direct, formal, official and contractually determined relationship with the company. Secondary stakeholders are actors who are interested in the firm and who may be impacted by the corporation's actions without having any contractual connection (Pesqueux, 2005). Even though there are no contractual agreements with the secondary stakeholders, it is still important to take their interest into consideration. The secondary stakeholders have the capacity to quickly emerge as an actor capable to help or harm the corporation through influencing their reputation (Argandōna, 1998).

The stakeholder theory is an important and commonly used framework for business ethics. However, it is important to acknowledge that just because the corporation is implementing the stakeholder model does not mean that it is a guarantee that the corporation will behave ethically if no ethical perspective has been taken into consideration. To have a more ethical approach, the companies must consider the direct and indirect parties affected by a company's decision, even though it might consider needs of potential consumers that does not always have the ability to pay. A company can also conduct a 'wish list' including reflection on different stakeholders' demands and expectations on ethical and social responsibility to gain a clearer picture on how to behave in certain situations (Calfee et al, 2004; and Brytting, 1998).

There are clearly important but difficult issues of balancing between the interests of different stakeholders (Johnson et al, 2005), see Table 2. The flexibility of the list of stakeholders and the unspecified amount owed to each one makes the concept of ethical and social responsibility difficult and vague compare to Friedman's paradigm which focuses solely on satisfying the shareholders expectation (Coelho, 2003). Arguing that by only being responsible to the shareholders, a company can reduce conflicts between the search for profits and other goals that might arise due to less potential split of opinions and interest groups (Brytting, 1998; and Coelho, 2003). The stakeholder approach might therefore be interpreted as not being clearly defined since it represents certain parties' ideals rather than actual practice. Still, business ethicists are often eager to connect the ethical treatment of stakeholders with financial rewards (Harting et al, 2006). If any primary group perceived over time that it is not being treated fairly or adequately it will seek alternatives and may ultimately withdraw from that firm's stakeholder system (Neville et al, 2005). This would highly influence the corporation negatively, both from an internal perspective concerning corporate efficiency as well as external with damaging reputation. It is hence essential to satisfy the interest and expectation of all major stakeholders, since a corporation can not survive without its support (Brytting, 1998). In the next section, we define reputation and discuss how it can influence a corporation and why it is so important.

Table 2. Social Responsibility to other Stakeholders (Rhenman, 1964; and Coelho, 2003)

Stakeholder	Example of Responsibility to Stakeholder
Shareholder	Good return on investment
Employee	Fair pay and working conditions
Supplier	Regular business and prompt payment
Customer	Fair price and safe products
Local Community	Jobs and minimum disruption
Government	Employment for local community
Environment	Less pollution

3.2 CORPORATE REPUTATION

Corporate reputation has been in the business spotlight in recent years and companies have become increasingly aware of the importance of reputation to stay in the dynamic competition. Reputation can be a source of competitive advantage as a way to differentiate and create loyalty. Corporate reputation has two distinct characteristics that are formed over time, based on what the organization has done and how it has behaved (Balmer et al, 2003). As mentioned in the previous section, a company has many different stakeholders and each one can react to a different aspect of the company. Having a good corporate reputation can therefore provide stakeholders with a sense of reassurance of what the company will deliver and what to expect (Argenti et al, 2004). A successful reputation can produce profits and act as a protection to adverse stakeholder's reaction as well as build trust and create stronger relationships (Resnick, 2002). However, having a good reputation is no guarantee to business survival or success (Balmer et al, 2003). Still, there is a strong belief amongst different organizations and academics that reputation matters. According to Resnick (2002) both trust and reputation can vanish overnight. Having a damaged reputation can affect employee and customer loyalty, as well as financial well-being. It is thus important to acknowledge that reputation has a lot to do with trust and concerns the company as a whole: it reunifies all stakeholders and all functions of the corporation. According to Argenti et al (2004) there is a link between reputation and share performance. Hence a company is very sensitive to meet all the expectations of their stakeholders in order to achieve good reputation. This is very important since companies cannot grow without advocates and the support from their stakeholders. Companies should therefore view reputation as a long term strategy and actively establish and preserve the reputation as a part of the mission and accountability (Resnick, 2002). Furthermore, reputation has more depth compared to image since it provides a judgement from the market that needs to be considered. Having a strong reputation can therefore improve the corporate image as a successful player and be an important asset to a company that are entering a new product line and new sales channels (Kapferer, 2004).

3.2.1 CORPORATE IDENTITY AND IMAGE

Corporate identity has different definitions depending on the literature, however according to Balmer et al (1998) it is the "persona" of a corporation which is designed to assist the realization of business objectives. Corporate reputation can contribute to business survival and success by offering a distinct advantage in relation to the organization's external environment, whereas corporate identity is viewed as the way that personnel identify the organization in terms of those elements within the organization that are central, enduring and distinctive. According to Thomas et al, (1999) the concept of corporate identity and image are often used interchangeably. The distinction between the concepts is that the identity concerns with the tangible elements which represent an organization as a whole. Corporate image is developed from an interpretation of the signals projected by that identity, which forms the overall impression, attitude and perception to the public. This can be illustrated by Kapferer's (2004) Identity and Image model, see Figure 2, which has the sender's side as brand identity and the receiver's side as brand image. The main objective of corporate identity management is hence to secure a competitive advantage for an individual organization. It is therefore essential that before the organization communicates its identity to know exactly what to send and how to send it to the public in order to create competitive advantages. If identity is communicated accurately, survives the extraneous factors from noise, and the public message is decoded correctly, it can generate a favourable corporate image. Furthermore, over time the firm can create a good corporate reputation that builds trust, and might develop into a long

term and profitable relationship with the key stakeholders (Balmer et al, 1998; and Thomas et al, 1999).

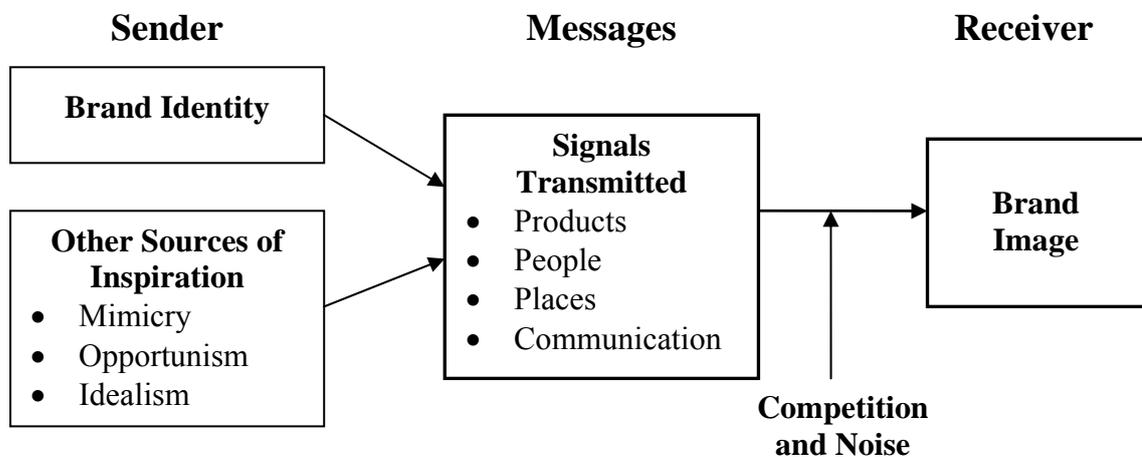


Figure 2. Identity and Image (Kapferer, 2004)

3.2.2 CORPORATE COMMUNICATION

As mentioned in the previous section, communication plays a vital role for organizations in order to send an accurate message and to avoid potential confusion and misunderstanding. Corporate communications is the process through which stakeholders perceive the company's identity and image, and where the reputations are formed. The way to build a good corporate reputation is hence through effective communication (Clark, 2000).

Much of the work of marketing communications and public relations is to present the organizations as a morally correct and socially responsible corporation. According to Balmer et al (2003:131), the most important thing in communications is to hear what is not being said. "All business in a democratic country begins with the public's permission and exists by public approval" (Clark, 2000:364) It is therefore important to communicate the value of social responsibility to the stakeholders to effectively manage any stakeholder relationship and enhance the corporate reputation. Furthermore, it is essential that the communication goes two ways in order to reduce the risk of having an incomplete picture (Clark, 2000). Furthermore, many researchers argue that implementing CSR can create a strong reputation advantage in the long term, despite the costs that might be involved in the short term. Furthermore, implementing CSR strategies can also be used to enhance or re-establish a corporation's previous bad reputation and image (Carlisle et al, 2005). Thus more focus has been shifted over to the concept of CSR as a way to increase a stronger reputation and build trust (Fill, 2002).

3.3 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is one of the most reputation-enhancing tools and has blossomed as an idea with many companies adapting to this concept and big firms increasing willingness to be viewed as a good corporate citizens. The drive to a good reputation is ethics, which consist of four components: trustworthiness, ethical business practices, open and honest communication with the public and a good relationship with regulatory bodies (Resnick,

2002). Furthermore, the importance of being a good corporate citizen has been moved to a higher level in the corporate agenda, which marks a significant victory in the battles of ideas for charities, non-governmental organizations and other elements of so called civil society (Economist, 2005c; and Tyrrell, 2006).

However, the term CSR does not always mean the same thing (Coelho, 2003). Furthermore, it provides a very broad and vague definition that can be difficult to grasp since it means so many different things, and may provide a problem (Tyrrell, 2006). To some people, CSR can be describe as a business philosophy which stresses the need for firms to behave as good corporate citizens, not merely obeying the law but conducting their production and marketing activities in a manner which serves the community as a whole. However, according to Friedman’s paradigm, there is only one social responsibility for a corporation and that is to engage in activities designed to increase profits so long as it stays within the rules of game without deception or fraud (Coelho, 2003). Describing CSR as: “preaching pure and unadulterated socialism” (Tyrrell, 2006:44). Still, what does this hot buzz word CSR really mean?

3.3.1 THE PYRAMID OF CSR

As mentioned earlier, the concept of CSR is often perceived as vague and ambiguous due to conflicting expectation and perception on what the “right thing” is (Coelho, 2003). For CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. CSR can hence be structure into four kinds of social responsibilities: Economic, Legal, Ethical, and Philanthropic, see Figure 3 (Carroll, 1991).



Figure 3. The Pyramid of CSR (Carroll, 1991)

Economic Responsibility

A business organization are described as economic entities that provide goods and services that satisfy consumers’ needs and wants in order to make an acceptable profit. In other words, the corporation is solely satisfying consumers’ needs and wants to maximize profit and all other business responsibilities are hence predictable upon the economic responsibility of the firm (Carroll, 1991).

Legal Responsibility

In the legal responsibility, business operates by the laws and regulations created by the government that work as a social contract between the business and the society, hence pursuing the economic mission within the framework of the law (Carroll, 1991).

Ethical Responsibility

Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are either expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody those standards, norms and expectations that reflect a concern for what consumers, employees, shareholders and the community regard as fair, respectful and a protection of stakeholders' moral rights (Carroll, 1991).

Philanthropic Responsibility

Philanthropy encompasses those corporate actions that are in response to society's expectation of that businesses are good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical or moral sense: It is a corporation voluntarily wanting to pursue social responsibility and being a good citizen in the community (Carroll, 1991).

3.3.2 THE VIEW OF CORPORATIONS

There is increased popularity for CSR in the corporate world, nevertheless there is still lots of scepticism concerning CSR among chief executives, the media and the public (Economist, 2005a). Having such a broad definition going from economic to philanthropic responsibility, all under the same concept creates problems involving competitive disadvantage costs relating to 'free-rider'. Providing employment, paying taxes and complying with all relevant legislation and regulation is seen as being sufficient CSR. Whereas those organizations that spend more money to conduct higher social responsibility relating to ethical and philanthropic aspect are also under the same concept, hence receiving the same acknowledgement (Tyrrell, 2006). Furthermore, many argue that the firm's existence merely is in terms of profit rather than service to the community, hence questioning corporation's authenticity towards CSR, since most firms would prioritize profit if facing a situation where commercial interest collides with the broader social welfare. Arguing that CSR has always been intended to be more about how companies conduct themselves in relation to the stakeholders rather than about straightforward gifts to charity (Economist, 2005a). Still, many pro CSR advocates argue that corporations should exist to deliver something more to the society than only profits. Consumers support for CSR is strong with 68 per cent that would purchase a product that has CSR attributes. This leads us to believe that if the stakeholders and the society expect more than profits, then having achieved the profit goal the organizations will automatically embark on CSR and other non-profit activities (Tyrrell, 2006). There are three approaches that are frequently found in business ethics to evaluate the view of a corporation to identify their perception and potential actions when put in CSR and ethical conflicts: the restrictions view, the systems view and the objectives view (Hanekamp, 2005).

The Restrictions View – To make profit is not a side effect but a restriction of doing business. Only if a firm makes profits can it survive and continue to follow its objectives.

Thus business action is restricted by the profit making requirement in the sense that only those actions satisfying the restriction are allowed for further decision-making. The profit making suitability is hence a filter for business action (Hanekamp, 2005).

The Systems View – Social life is seen as divided into different systems that function according to their particular rules and objectives. The business system is therefore focused on maximizing profits through establishing innovations for example, while the CSR and charity is left to be taken care of by other social system, which can be outside the corporation (Hanekamp, 2005).

The Objectives View – Firms are seeking to reach their central objectives e.g. if the core values of the company are “preserving and improving human lives”, than the drug should be created for people and not for the profits. To make profits here merely is a side effect of pursuing one’s objectives (Hanekamp, 2005).

3.4 CONCEPTUAL FRAMEWORK

The theories discussed earlier in this chapter provide different essential factors influencing an organization that needs to be considered. However, in order to provide a clear understanding of the issue, a conceptual model has been developed to illustrate how stakeholders can impact the organization, see Figure 4. The model deals with the communication between the organization and its stakeholders. All this dialogue can effect the organization’s social responsibility action direction and the corporate reputation.

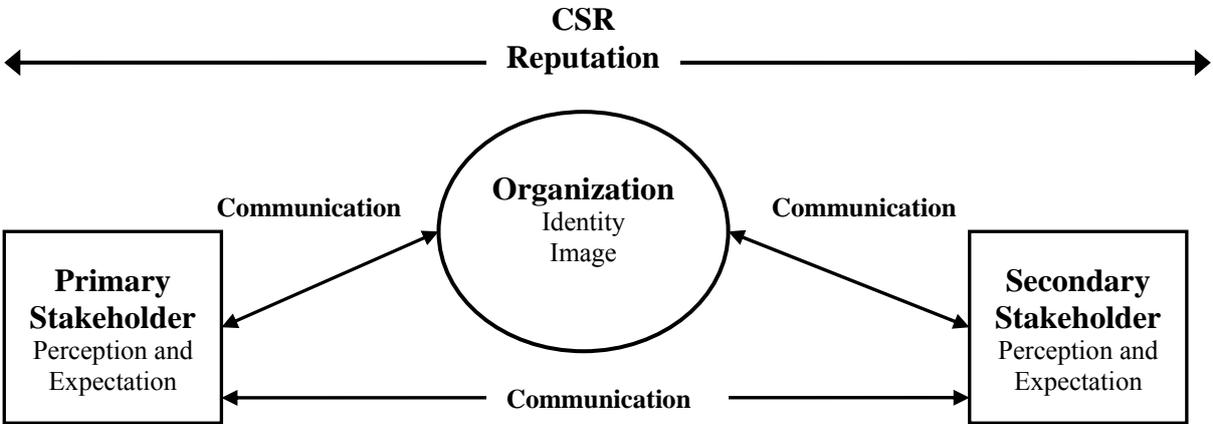


Figure 4. Stakeholders’ Perceptions and Expectations

Primary Stakeholder

It has previously been suggested by scholars that if conflict of interests between stakeholders emerge, an organization should be focusing on satisfying the primary stakeholders. The primary stakeholders are those actors that have a direct and contractually determined relationship with the company.

Secondary Stakeholder

The secondary stakeholders are different from the primary stakeholder since they are situated at the borders of a firm and might be impacted by the firm's actions without having any contractual connection. The organization has therefore seemingly no financial obligations towards these stakeholders.

Reputation

Corporate reputation has two distinct characteristics that are formed over time, based on what the organization has done and how it has behaved. Whether the organization has a positive or negative CSR reputation depends on the stakeholders to the organization, the media and the mass public that then collectively build an opinion that evolves into corporate reputation.

Organization's Identity and Image

The corporate identity means the way the organization identifies itself to the public through its symbol, communication and behaviour, while the corporate image is how the public interpret the identity through the impression, attitude and perception. There is a constant communication between the organization and its stakeholders. It is therefore crucial that the organization has a clear identity that they can communicate in an effective way to hence create a positive image to the stakeholders and thereafter a positive reputation to the mass public.

In order to conclude all the theories this conceptual framework has been developed to illustrate the different essential factors that can influence an organization's reputation. The purpose of this conceptual model is to clarify the research area and to identify the key issue needed to structure the empirical research. The next chapter will discuss the empirical findings based on this chapter's key issue from both primary and secondary data approach.

CHAPTER 4

EMPIRICAL RESULTS

This chapter focuses on the empirical information obtained to answer the research questions and purpose based on the key issues identified in the previous chapter. The chapter is divided into two main sections, with the first section based on the findings of the secondary data which provides general information and current discussions concerning how the pharmaceutical industry works, its reputation and involvement with Corporate Social Responsibility (CSR). The second section concentrates on the primary data collected, concerning the pharmaceutical industry's stakeholders' perceptions on CSR reputation and expectations on CSR.

4.1 SECONDARY DATA

4.1.1 THE PHARMACEUTICAL INDUSTRY

The pharmaceutical industry is characterized as for being an industry involved in high risk when developing new drugs, having a long process of Research and Development (R&D), and an intense competition for intellectual property under strict government regulations (Johnson et al, 2005). Not every drug that is researched and developed reaches the market and not all the drugs introduced into the market generate enough profits to cover the development costs (Collins, 2001). Approximate 80 per cent of all the R&D projects fail to recoup their investment. It is therefore very costly and high risk to develop new and improved drugs (Johnson et al, 2005). For a pharmaceutical company to survive they need to recover their R&D investment to further invest in new innovative drugs without being undercut by copycats (Collins, 2001). The drugs that people can buy is usually divided into two groups: Over The Counter (OTC) drugs, which are also called generic drugs, are available in pharmacies without any special restrictions and often not patented, and are less expensive. The other group is Prescription Only Medicines (POM), also called ethical drugs, which must be prescribed by a doctor hence the patient has less power to influence. POM must go through different sales channels before it reaches its end consumer, hence careful and clear communication is needed in each level of the sale channels (Turett, 2005).

The cost of developing and commercializing a new drug is estimated to 1 billion USD and the cost is increasing every year, which is one of the reasons why the pharmaceutical companies charge high prices on their products. Due to the enormous risks and investments involved, it is not surprising that the pharmaceutical companies needs to compete fiercely in order to establish and retain intellectual property rights (Vasella, 2004). The pharmaceutical companies establish competitive advantage by developing products that are innovative, differentiated, patentable, rapidly developed and marketed globally. Furthermore, since the pharmaceutical market is fragmented, with both domestic and regional players, there is a strong belief that companies need critical mass in R&D and global marketing to compete effectively. As a result, there has been a wave of mergers and acquisitions of companies that have complementary capabilities. A small biotechnology company can have a new drug but might lack the sales or marketing capabilities, whereas a large pharmaceutical company might

have a gap of new products. This has highly influenced how the pharmaceutical market looks like today with many large pharmaceutical companies that becomes even larger and more powerful (Johnson et al, 2005).

PATENT RIGHT

As mentioned, drug development is very costly and involves high risk. Most pharmaceutical companies therefore apply for patents in order to protect their innovations and regain investments. The patent system is formed to provide an incentive for innovation and investment, and is a set of exclusive rights granted by a state to a person or company for a fixed period of time in exchange for the regulated, public disclosure of certain details of a device, method, process or composition which is new, inventive and useful or industrially valid. Drugs are patentable and last usually for 20 years, however often only 10 years remains when the drug reaches the commercial market (Collins, 2001).

Developing drugs is a long process that often takes 12 years before it gets approved and reaches the commercial market. When the drug patent runs out, it is usually adopted by a competing company, which often results in a rapid price drop. The objective of the patent system is to encourage inventive activity, technology transfer and activity associated with the commercialization or marketing of an invention. When a patent is granted, the patentee has the right to prevent others from using, offering for sale, selling or importing the innovation without permission (WHO, 2006). The patent system is vital and necessary for the pharmaceutical industry in order to develop new drugs. Without the compulsory licensing it could hamper further research and search for new effective drugs. The development of new treatments and drugs are hence expensive since the pharmaceuticals often finance their own research. Without patent protection there would be a big threat to R&D and the whole pharmaceutical industry (Kobori, 2002).

4.1.2 THE PHARMACEUTICAL INDUSTRY'S REPUTATION

The pharmaceutical industry faces more than usual share of public scrutiny (Resnick, 2002). The media is largely negative toward the ethical positions taken by the pharmaceutical companies. The worldwide HIV/AIDS epidemic has generated intense criticism of the pharmaceutical industry and highlighted issues such as CSR and intellectual property. However, HIV drugs are by no means the only topic of criticism in recent years. There are also critics concerning pricing, data disclosure, parallel trading, marketing restrictions, sales people, drug controls and much more (Porth et al, 2005; and Calfee et al, 2004). Michael Moore, a journalist famous for conducting documentaries and TV series attacking politicians and business corporations, is said to be conducting a new movie about “the big pharmaceutical companies.” Criticizing the “outrageous” way drugs are marketed to doctors, which can be perceived as yet another way to illustrate the negative public and media perception of the pharmaceutical industry (Edwards, 2005).

Still, the pharmaceutical industry argues that most consumers do not recognize their essential task of improving and saving lives, due to lack of positive exposure of the strengths and achievements to the public. They accuse the media for mostly portraying the negative side of the industry such as high drug prices and drug scandals thus contributing to the declining reputation. The pharmaceutical industry is therefore trying to convince the patient to look beyond the drug prices and scandals by communicating the breakthrough treatments and other innovations that highlight the industry (Boswell, 2004). They argue that the media must understand how the pharmaceutical industry positively impact people's lives (Chandler et al, 2006).

Others are arguing that people in the industry might be perceived as a bit naive, due to the wonderful drugs they produce that improve and save lives, which might have influence the pharmaceutical industry to believe that they should be immune to all criticism. However, this is not true and it is still highly important for the pharmaceutical industry to deal with its reputation in order to continue to attract quality employees, maintain customer's trust and sustain competitiveness in the dynamic market (Boswell, 2004).

HIV/AIDS EPIDEMIC

The AIDS and HIV epidemic, especially in sub-Saharan Africa has generated extraordinary volume of criticism to the pharmaceutical industry concerning the prices and patents of the HIV drugs that can delay the onset of AIDS (Calfee et al, 2004). AIDS is thought to have originated in sub-Saharan Africa during the twentieth century and is now a pandemic. Acquired Immune Deficiency Syndrome (AIDS) is a collection of symptoms and infections in humans resulting from the specific damage to the immune system caused by infection with the Human Immunodeficiency Virus (HIV). There is no real cure for the disease, AIDS and HIV treatments that exist today can merely slow down the virus' progression. Although the latency period between HIV infection and full-blown AIDS can last for many years, untreated HIV eventually kills all its victims (Aids, 2006; UNAIDS, 2006; and World Bank, 2006). At the end of 2004, UNAIDS estimated that nearly 40 million people were currently living with HIV. The World Health Organization (WHO) estimated that the AIDS epidemic had claimed more than 3 million people's lives in 2004 and 5 million people had acquired HIV in the same year. The AIDS epidemic problem is especially prominent in South Africa, where AIDS is the number one cause of death (UNAIDS, 2006; WHO, 2006; and Collins, 2001). Treatments and drugs does exist that can help HIV and AIDS patients in the developing countries. Unfortunately many people in those countries cannot afford these expensive treatments and drugs (Borman, 1999). Keeping an AIDS patient alive for a year can cost up to 15,000 USD, which is 24 times the average annual income in Zimbabwe, where one in four adults is HIV-positive (Moore, 2001).

The activists maintain that the patent protection of new drugs, results in the pharmaceutical companies to charge a very high price, which makes the drugs too expensive for the majority of the patients (Kobori, 2002). However, besides the main financial issue, there are also other barriers including lack of infrastructure, health facilities, staff and equipment, education, access to information and distribution channels that influences the situation in the poor countries. Nevertheless, the activists argue that the pharmaceutical companies have to lower the prices on the drugs so the patients can afford to buy them. However, another dilemma is that even though the pharmaceutical companies are selling the drugs at a lower price compare to the western market, it will still never be cheap enough for the patients in the poor countries to buy it. This mainly because of the transportation cost involved in transporting the drugs from western drug manufacturers to the poor countries. This has lead to some discussions that the pharmaceutical industry should invest in having manufacturers that develop HIV/AIDS drugs in the market where the needs for those drugs are at greatest to meet a proper price level for that market (Collins, 2001).

TRADE-RELATED ASPECT OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

The World Trade Organization (WTO) agreement on Trade Related aspects of Intellectual Property Rights (TRIPS) is the most comprehensive multilateral agreement on intellectual property and sets down the minimum standards for most forms of intellectual property within

all member countries of the WTO. The purpose of the agreement is to narrow the gaps in the way the rights are protected around the world and bring it under one common international rule. It was first negotiated in 1984 during the Uruguay round, but was not introduced until 1st of January, 1995.

Since the introduction of TRIPS, there has been a wide dispute regarding the issue with the pharmaceutical industry's patent rights. Many anti-globalization activists started to give criticisms concerning the discrimination against the poor countries and arguing that the gap is just becoming wider between the rich and the poor countries. As a result, in the Doha Declaration 2001, the agreement changed towards favouring the developing countries, making it easier for poor countries to import cheaper drugs that are made under compulsory licensing from other developing countries if they are unable to produce the drugs themselves. The discussion regarding the patent right in TRIPS is still an on going discussion, the agreement however is perceived as a significant victory for Third World access to AIDS drugs (WTO, 2006).

4.1.3 CSR AND THE PHARMACEUTICAL INDUSTRY

There are more expectations on the pharmaceutical industry to behave in an ethical way compare to the other industries. The reason is because the pharmaceutical industry produces drugs that can improve people's lives around the world, furthermore health plays a very central role and affects many people (Turett, 2005). According to Johnson et al (2005) the life expectancy has increased by over 20 years in the developing countries during the 20th century, thanks to the improved innovation by the pharmaceutical industry. No other industry could claim to have done as much for well-being as the pharmaceutical industry. Still, many people argue that the pharmaceutical industry have the capacity to help the well-being even more.

However, one of the main problems according to the anti-globalization activists is the high price set on the drugs in comparison to the low cost of producing it, this makes the pharmaceutical industry looks very greedy (Collins, 2001). The pharmaceutical industry might believe that they act ethically while trying to develop new drugs that can improve people's health, whereas others might perceive them as unethical by charging a high price on the drugs (Johnson et al, 2005). According to the American Stock and Options Exchange (AMEX) the pharmaceutical index has increased by 8,6 per cent since October 2005 to February 2006, by launching new drugs that treat cancer depressions, high cholesterols, diabetes and insomnia. According to Bennett (2006) the AMEX pharmaceutical index, is expected to climb 4 per cent by the end of 2006 and average 8 per cent annual gains till 2011. The question therefore is if the pharmaceutical industry's acting in an ethical way by having high profit and focusing on developing drugs that are "costume made" for the rich countries' health, instead of for the Third world's diseases. Brietstein (2004) argues that the pharmaceutical companies should demand, promote and the held accountable for the result of its investment in fighting AIDS around the world, which will result in differentiating the pharmaceutical companies that are serious and genuine about helping the Third world from those that are self-centred. However, due to the very high costs of drugs discovery and development it is impossible to make a profit with a drug that is exclusively destined for patients in the Third world, where billions of people have a daily income of less than 2 USD. Therefore, it is of no surprise that few pharmaceuticals are focusing on projects for new drugs in the developing part of the world. Furthermore, the pharmaceutical companies have to live up to the investors' expectations, hence deliver competitive result and performance. In order to pursue a more philanthropic CSR the pharmaceutical industry is therefore donating money to different charity organizations (Vasella, 2004).

4.2 PRIMARY DATA

4.2.1 THE PHARMACEUTICAL STAKEHOLDERS

What is the general perception on CSR amongst different stakeholders? Is CSR a relevant issue? What does it mean in the pharmaceutical industry? Furthermore, what CSR are expected in the pharmaceutical industry? These questions and others like them are going to be discussed in this section. The stakeholders interviewed in this discussion were Bengt Lindberg, Global Drug Safety Physician for AstraZeneca; Paula Kiiveri, Researcher for Sahlgrenska Institute of Clinical Sciences; Thomas Iveroth, Dr for a Private Medical Clinic in Munsö; Peter Hodgson, Consultant for the Red Cross; Håkan Mandahl, Vice President for the Swedish Association of the Pharmaceutical Industry; and Claes Trollestad, Research and Consultant for the Ethic Academy.

4.2.2 THE PERCEPTION ON CSR IN GENERAL

Before we started the interview with the respondent, we began to define the terminology of CSR, which we based on the Pyramid of CSR model, see Figure 3, in order for all the respondents to have the same definition.

All the respondents interviewed thought that most of the companies in general are implementing CSR into their everyday work. Two of the respondents: the representatives from the Ethic Academy and Private Medical Clinic believed that the bigger the corporation is the more social responsibility the corporation should take in the society. The reason for this is because they have more resources and power to influence. Furthermore, besides improving the reputation, the CSR performance should also be stated in the annual report given to the shareholders and available to the public at large. The respondents also agreed on that all corporations should take social responsibility, and three of the respondents: Sahlgrenska Institute of Clinical Sciences, AstraZeneca and the Swedish Association of the Pharmaceutical Industry, also mentioned that each individual company should take more social responsibility in the field they are operating in and where they have their core competence.

The Red Cross, the Ethic Academy and Sahlgrenska Institute of Clinical Sciences also pointed out that companies should take social responsibility in order to increase or improve their reputation and build trust. Whereas, the Swedish Association of the Pharmaceutical Industry and AstraZeneca said that there is a need for the corporation to take social responsibility in order to improve the environment and for the employees to enjoy the work. However, all the respondents did agree that the employees should be the first priority of CSR, as the Private Medical Clinic and AstraZeneca said, if the employees are being treated well and enjoy their work they often perform better, hence are more likely to provide a better results.

Furthermore, all the respondents agree that CSR is a very relevant issue with most agreeing on that there are no limitations to where to draw the line for CSR. However, according to the representative from Sahlgrenska Institute of Clinical Sciences, it is very good if a company wants to be a good role model for other companies, however the limitation for CSR should be drawn when the company starts to tell other people and corporations what they should do.

4.2.3 PERCEPTIONS AND EXPECTATIONS OF THE CSR REPUTATION IN THE PHARMACEUTICAL INDUSTRY

The respondents have mixed perception when it comes to CSR in the pharmaceutical industry. Half of the respondents: Sahlgrenska Institute of Clinical Sciences, the Swedish Association of the Pharmaceutical Industry and AstraZeneca have a positive perception that the pharmaceutical industry is doing a good job with implementing CSR, especially towards the employees. Furthermore, saying that the pharmaceutical industry has to be social responsible because they are producing important products that can improve people's health. Whereas, the other three respondents: the Red Cross, Private Medical Clinic and the Ethic Academy have a more negative perception. For instance perceiving the pharmaceutical industry as being very much money orientated and unethical when it comes to testing drugs on animals and humans, providing lack of information concerning drugs to doctors and consumers. Furthermore, the Ethic Academy representative also mentioned that the pharmaceutical industry has a great policy, however they are not implementing it in the right way. Still, most of the respondents agreed on that the pharmaceutical industry should take greater responsibility compared to other industries. According to the representative from Sahlgrenska Institute of Clinical Sciences, the pharmaceutical industry happens to be in a humanitarian field thus it is in their nature to be social responsible. However it can be seen as unfair that the pharmaceutical industry should have a greater responsibility compared to the other industries, they are still very much a company. The Red Cross thinks that all corporations in all industries should have equal social responsibility, and that even if many companies have implemented CSR, they can still do much more.

According to two of the respondents: Private Medical Clinic and the Red Cross, think that the pharmaceutical industry should take more social responsibility by focusing on developing drugs for the developing countries even though it is not seen as a potential market compare to Europe and the USA. Furthermore, the Red Cross also mentioned that Africa is not considered as potential market because of the instable political situations, however, there are many people that are not political involved and are willing to work. The pharmaceutical companies should therefore help to build the market by building drug manufacturers that produce and sell cheap drugs suitable for the developing countries. By doing this the pharmaceutical industry can increase their reputation in the western world and at the same time develop future potential markets. The representative from AstraZeneca also believes in helping the developing countries, but argues that they should focus on developing drugs that suit both the developing as well as the developed countries. Whereas the Swedish Association of the Pharmaceutical Industry thought they should build a long-term relationship with society and the representative from Sahlgrenska Institute of Clinical Sciences believe that they can do this by informing the public concerning health issues, such as how to eat well and good exercise. By doing this the pharmaceutical industry can gain a more genuine impression from the public.

Furthermore, the respondent from the Private Medical Clinic does not believe that there will be any change in CSR when it comes to the pharmaceutical industry, since the industry is too profit orientated, hence if there is "no profit then there is no interest." They might therefore be more egoistic and stop caring about their surroundings. Furthermore, the pharmaceutical companies are just getting bigger hence getting harder to control. However, the majority of the respondents still believe that there will be a positive change with more companies implementing CSR. A change can be noted, according to the Red Cross, by more companies voluntarily getting involved and sponsoring different charity organizations such as the Red

Cross. As AstraZeneca representative said, the company is also taking social responsibility towards the society by donating money to different charity organizations such as children's villages in Ukraine. However, according to the Red Cross, for the pharmaceutical industry to take a more social responsibility they should provide the poor countries with free drugs to help the people in need instead of giving money donations. This just proves that most of the pharmaceutical companies still have a very market perception on CSR solutions.

The perceptions of the pharmaceutical industry's reputation are mixed with three respondents having a negative perception, one being neutral and two perceive it as positive. The respondents that have a negative perception were: Private Medical Clinic, Red Cross and the Ethic Academy arguing that the pharmaceutical industry is only interested in earning more money, even if they are producing good products. Furthermore, according to the Ethic Academy, most pharmaceutical companies are in a hurry to launch new products because of the fierce competition in the market. However, if something goes wrong there is intense media scrutiny on the pharmaceutical industry. Therefore after a scandal there is an immediate drop in trust. To increase the reputation, the respondent for the Private Medical Clinic suggested that the sales representative should be more knowledgeable and provide more information when it comes to their products and use different sales techniques than the one they are using now, which merely involves getting free stuff, such as dinners, conferences, free products etc.

Whereas the respondents that were positive: Sahlgrenska Institute of Clinical Sciences and the Swedish Association of the Pharmaceutical Industry perceive the industry as an interesting, dynamic and fast growing one with increasing opportunities for developing new drugs and constantly growing demands to satisfy. According to AstraZeneca respondent, the pharmaceutical industry's reputation is very important. People today are scared for taking drugs, since they are more worried about the side effects of a drug even if it is just a tiny per cent of the people using the drugs that get affected. There is therefore a strong belief amongst the people that "the risks of a drug are greater than the benefits." Furthermore, the pharmaceutical industry can easily get bad reputation if something goes wrong with a drug, "one death being one too many." According to the Swedish Association of the Pharmaceutical Industry, the reputation is therefore very important since it can create a long term relationship with the customer by being trustworthy.

The question whether the stakeholders can influence the pharmaceutical industry's decision concerning CSR is divided. The Private Medical Clinic and Sahlgrenska Institute of Clinical Sciences respondents believe that individuals have no power to influence the decision of the pharmaceutical industry. Whereas the other respondents think that the individual can effect the pharmaceutical industry by first influencing the public opinion or go to shareholders' meetings. If that does not work then they can combine forces with the government and the National Board of Health and Welfare [Socialstyrelsen], which then can influence the pharmaceutical industry through creating laws and regulations that they have to follow and in that way protect the interest of the public.

In the next chapter the analysis discussion will be based on the empirical information provided in this chapter together with the theoretical perspective in the previous chapter in order to explore the research questions.

CHAPTER 5

ANALYSIS

This chapter looks at both the Review of Literatures (Chapter 3) and the Empirical Results (Chapter 4) in the previous chapters in order to analyse the key issues and provide a summary of the discussion to answer the research questions.

The Corporate Social Responsibility (CSR) concept is structured into four kinds of social responsibilities: Economic, Legal, Ethical, and Philanthropic (Carroll, 1991). However, our research has found evidence that the concept of CSR is interpreted as very ambiguous and is perceived as lack of clarity. This supports many academics and business managers' perception that CSR is a very broad and vague definition that is difficult to grasp since it means so many different things (Coelho, 2003; and Tyrrell, 2006). However, most of our respondents when discussing CSR are often referring to taking care of the employees. They believe that the organization should emphasize the social responsibility within the internal organization in order to build a good base before taking care of the external factors. As the representatives for AstraZeneca and the Private Medical Clinic said:

“If the employees are being well treated and enjoy their work they often perform better, hence can generate a better result.”

Furthermore, the importance of being a good corporate citizen has been moved up to a higher level in the corporate agenda with more and more companies implementing CSR into their corporation (Economist, 2005c). This perception also got support from our respondents, which thought that most companies are implementing CSR into their everyday work and that CSR is a very relevant issue. Furthermore, most respondents have also acknowledged that having a good CSR policy can enhance the corporate reputation, all companies should therefore get involved in CSR. However, even though many companies are implementing CSR, there is still a belief that most companies can do even better. As seen in recent trends there has been a wave of mergers and acquisitions of companies that have complementary resources in the pharmaceutical industry. The pharmaceutical companies are growing larger, and the bigger they get the higher are the expectations. For instance as the representatives for the Private Medical Clinic and the Ethic Academy stated:

“The bigger a company is the more social responsibility should it take, since they have more resources and power to influence.”

There is therefore a perception that the pharmaceutical industry should take a bigger social responsibility in society. However, there is also another concern that the bigger the pharmaceutical companies get the harder it is to control them. This can instead lead to an opposite effect that they are starting to behave indifferently and stop caring about their surroundings. Still, all the respondents believe that the pharmaceutical industry should take a bigger social responsibility compare to other industries. The reason for this is because the pharmaceutical industry is within the humanitarian sector, furthermore they produce products

that can improve and save lives around the world (Turett, 2005). Still, according to a representative for Sahlgrenska Institute of Clinical Sciences:

“Yes, the pharmaceutical industry should take a greater responsibility because it is in their nature. However, it is understandable that it can be seen as unfair that the pharmaceutical industry should have a greater responsibility compare to other industries, after all they are companies.”

Health concerns many people, one might thus believe that the industry has more stakeholders that are interested and arguable affected by the industry’s decision. Presumably, one might therefore believe that the pharmaceutical industry should have a stakeholder theory perspective, which involves a much more pluralistic consideration of different stakeholders than merely satisfying the shareholder’s financial perception (Neville et al, 2005; Brytting, 1998; and Johnson et al, 2005). However, this aspect is not shared by most of the respondents that consider:

“The pharmaceutical industry is very much profit orientated, and is still applying the traditional financial perceptions with profit maximization as a goal.”

This is one of the reasons why there is lack of pharmaceutical companies investing and developing medicines to prevent diseases in the developing countries, furthermore charging high prices on drugs. This leads to the question whether the pharmaceutical companies act in an ethical way, by having high profit and focusing on drugs that are more suitable for the rich market, instead of the poor countries. As some of the respondents mentioned:

“The pharmaceutical industry should focus on the developing countries, even if it is not considered a potential market as Europe and the USA. By taking care of the market the industry can improve their reputation and develop potential markets in the future.”

The rationale behind the high drug prices can be explained by the high costs of discovery and development of new drugs (Johnson et al, 2005). It is therefore considered to be impossible to make a profit with a drug that is solely intended for patients in the Third world, where billions of people have a daily income of less than 2 USD. Still, the life expectancy has increased by over 20 years in the developing countries during the 20th century, thanks to the improved innovation by the pharmaceutical industry. There are hence no other industries that can claim to have done so much for the human well-being (Vasella, 2004; and Johnson et al, 2005). However, many people still argue that the pharmaceutical industry have the ability to help even more. Besides, developing and improving new drugs, some pharmaceuticals are also conducting social responsibility in a more charitable approach, such as through donation to different charities like children’s villages in Ukraine. Still, the intention of CSR has always been more about how companies conduct themselves in relation to the stakeholders rather than about straightforward gifts to charity (Economist, 2005a). As a representative from the Red Cross said:

“The pharmaceutical industry has a very market perception on most solutions. Their solution on taking social responsibility towards the stakeholders is to give money to charities. Whereas one might think that it would be more socially responsible if they gave medicines to the ones in need instead.”

The general perception of the pharmaceutical industry is therefore that they have a Systems View where the social life is seen as split into different systems. The business system is focusing on maximizing profits through establishing innovations. Whereas the CSR and charity is left taken care of externally by other social systems (Hanekamp, 2005).

There is a belief amongst many academics that the stakeholders have the power to influence the industry by either to help or harm the industry by affecting profitability through damaging or improving the reputation and image (Gibson, 2000; Johnson et al 2005; and Coelho, 2003). Majority of the respondents believe that they can influence the pharmaceutical industry through influencing the public opinion or participating in shareholder's meeting. As individual, one might not be able to influence the pharmaceutical industry. However, with combined forces the stakeholders can cooperate with the government and other higher institutions that can establish laws and regulations. In that way influence the pharmaceutical industry and protect the interests of the public.

Furthermore, when discussing the pharmaceutical industry's reputation, there were mixed answers from the respondents. Three of the respondents perceived it as negative, one where neutral, and two thought the industry has a positive reputation. The respondents that have a negative perception were from the Private Medical Clinic, the Red Cross and the Ethic Academy:

“The pharmaceutical industry is just interested in earning more money, even if they are developing products for the good of mankind.”

Whereas the respondents that have a positive perception: Sahlgrenska Institute of Clinical Sciences and the Swedish Association of the Pharmaceutical Industry viewed the industry as:

“Fascinating, dynamic and a fast growing industry with increasing opportunities for new drugs and constant demands to satisfy.”

The media on the other hand, is largely negative toward the ethical positions taken by the pharmaceutical industry. Most of the negative perceptions are taken by the stakeholders that are not working in the pharmaceutical industry, hence can be perceived as secondary stakeholders. Whereas the stakeholders that have a positive perception are working in the industry, hence primary stakeholders. One might therefore assume that people working in the industry might be perceived as a bit naive and not really understand why the industry has such a bad reputation (Boswell, 2004). Having a damaged reputation can affect employee and customer loyalty, as well as financial well-being. It is thus important to acknowledge that reputation has a lot to do with trust and concerns the company as a whole: it can reunify all stakeholders and all functions of the corporation (Resnick, 2002). However, in this case one might argue that even if the industry has a bad reputation the employees are seemingly too busy improving and developing new drugs to gain more profits for the investors to notice the negative reputation. Therefore having a bad reputation does not necessarily lead to decrease in loyalty amongst the employees or loss of profits (Balmer et al, 2003). However, it does influence lack of trust amongst consumers. As a representative from AstraZeneca said:

“People are afraid to take drugs because they are more concerned over the side effects than getting well. This could be seen as a lack of trust to the pharmaceutical industry.”

Having a good corporate reputation can therefore provide stakeholders a sense of reassurance of what the company will deliver, hence build trust (Argenti et al, 2004). Furthermore, a company is very sensitive to meet all the expectations of their stakeholders in order to achieve a good reputation. This is essential since companies cannot grow without advocates and the support from their stakeholders. Having a strong reputation can therefore improve the pharmaceutical industry's image as trustworthy, hence be an important asset for the

pharmaceutical companies when entering a new product line and new sales channels (Kapferer, 2004).

The analysis in this chapter has been conducted based on the key concepts identified in the theoretical part and the results from the respondents in the empirical section. The next chapter will provide a conclusion of the research, discusses some of the important key issue concerning to CSR, stakeholder theory and corporate reputation. Thereafter, provide some of our reflections, directions for future research, then theoretical and managerial implications.

CHAPTER 6

CONCLUSIONS

This chapter presents the conclusions, which is divided into five parts, with the first part discusses our conclusions. The second part provides our reflections, and then the third section discusses some suggestions for future research areas. The fourth and fifth sections then provide some theoretical and managerial implications.

Corporate Social Responsibility (CSR) is a very ambiguous and broad concept that can mean everything from economic, legal, and ethical to philanthropic responsibility. More and more businesses are implementing this concept, nevertheless one might wonder if it is because it is a current trend or a real genuine interest behind it. It is no wonder that people get confused or perceive businesses conducting CSR as a marketing act as yet another attempt to manipulate people to purchase more products. However, one of the reasons behind this lack of trust could actually be a result of an ambiguous, broad and confusing definition. Without a clear definition it is very difficult to separate the companies that are conducting higher social responsibility from the companies conducting sufficient social responsibility since the same term is used in both circumstances. In order to clarify the CSR concept, we propose that instead of one broad overall CSR term, there should be two separate terms: organizational-economic and the socio-ethical responsibility. The definition of these two terms are based on the Pyramid of CSR theory, see Figure 5.

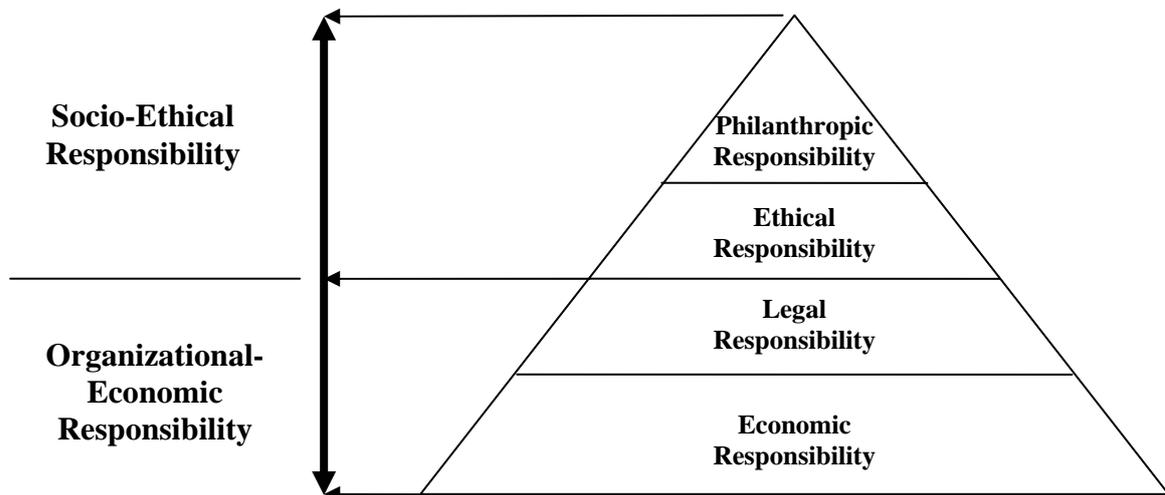


Figure 5. Socio-Ethical and Organizational-Economic Responsibility

The **organizational-economic responsibility** is based on the economic and legal perspective, the two lower level of the Pyramid of CSR. This is the basic level of CSR for any company that wishes to conduct social responsibility. Furthermore, this concept can also be perceived as having a more traditional financial perception, however it is different from Friedman's idea

that a corporation should be solely responsible for the shareholders. Instead this concept is prioritizing and responsible for all the primary stakeholders: shareholders, employees, suppliers and consumers, since they are those actors that have some kind of contractual agreement with the organization. For example, taking good care of the employees is an act of being organizationally-economically responsible. By treating the employees well, the corporation can increase loyalty, hence resulting in better performance.

The other definition is the **socio-ethical responsibility** that is based on the two higher level of the pyramid, which are ethical and philanthropic responsibility. This concept can be perceived as a more genuine and charitable approach that is based on the stakeholder model, which is consideration to all the different stakeholders' interests and opinions besides those of the primary stakeholders. This concept involves companies that want to be a good ethical company, hence consider all consequences before making any decision. Therefore not all decision taken might result in profit, however by being good the corporation will instead be rewarded with a good reputation that might lead to increased trust and a positive image. This concept can therefore be perceived as more towards the secondary stakeholders since there are more interests to consider than merely profit maximization. However, it is important to acknowledge that before the corporation can pursue this concept of social responsibility, it is essential to do well in organizational-economic responsibility in order for the corporation to be perceived as genuine and trustworthy.

The two terms have been developed to clarify and better understand CSR. The main dilemma for corporations that implement CSR is when there is a disagreement of interests between the stakeholders which leads to conflict in perceived responsibility, see Figure 6. In the case of the pharmaceutical industry the main objective for most of the pharmaceutical companies are to "develop drugs that can improve people's health". By improving health, people can feel better and live longer, hence one might argue that by improving health can also be perceived as "improving lives". Having such a "good" objective in the organization and "good" products, therefore leads to higher expectations on the organization. The industry is therefore dealing with an issue that exists all around the world and moreover affects millions of people. Considerably, there are many secondary stakeholders, hence high expectations on the industry to behave in a socio-ethical responsible manner. However, the difficulty for the pharmaceutical companies is that they operate in a highly fierce competitive market where most of the resources are reinvested in R&D to be able to sustain innovation and develop more drugs. The industry itself is therefore perceived to have a more organizational-economic responsibility orientation.

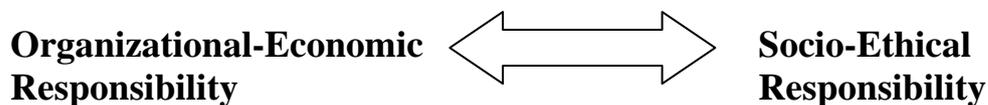


Figure 6. *Conflict of Responsibility*

Having disputes of interests and responsibility between the two stakeholder groups can result in a bad reputation of the organization amongst the mass public. The public's expectation and perception is different from both the stakeholder groups, since there is no contractual agreement and no necessary interests in the organization. The public could hence be perceived as a rather passive group, which is very sensitive and highly influenced by the reputation of the organization. If there is a conflict and a big gap of opinions communicated between the

primary and the secondary stakeholders this can very much influence a negative reputation and perception of the organization, see Figure 7. While, if all the stakeholders are in an agreement it will instead influence a more positive reputation and perception. After having analysed the empirical results conducted in this research, one can conclude that the pharmaceutical industry can be perceived as having a big gap of opinions between the primary and secondary stakeholders that leads to split perceptions and expectations. However, the public perception can be perceived as negative and with high expectations.

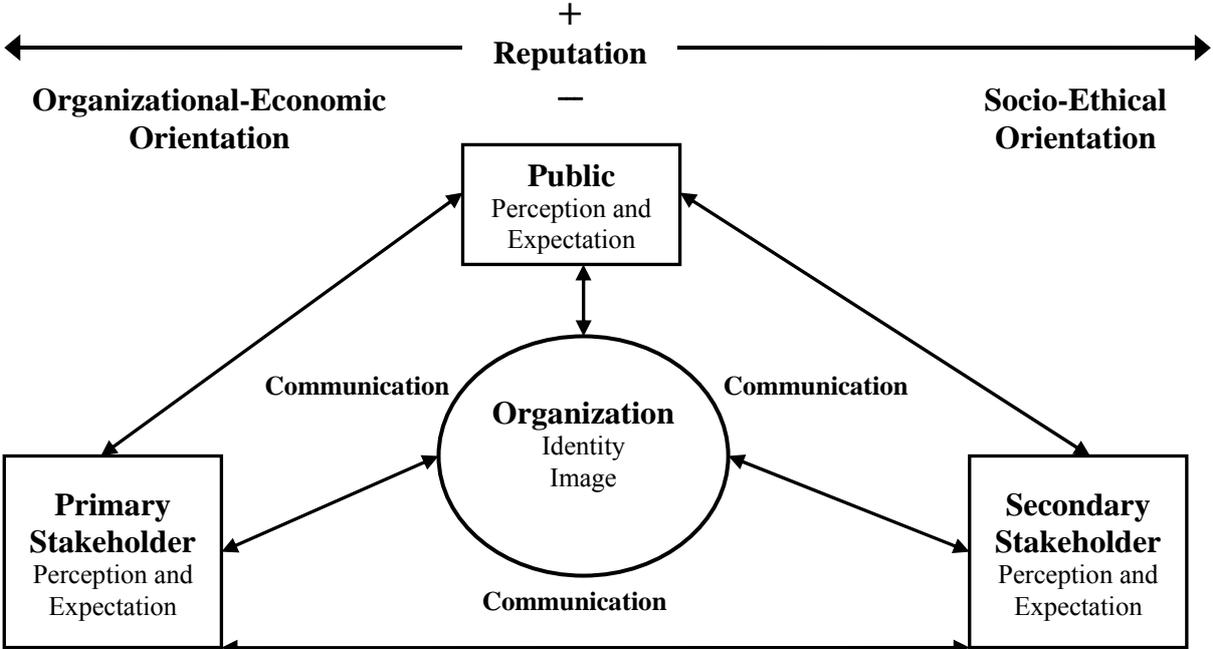


Figure 7. Adopted Stakeholders' Perception and Expectation

The responsibility an organization should adopt depends on the organization's objective that in turn is dependent on the identity and image of what the organization wants to promote. The communication between the organization and its stakeholders and to the mass public is constant whether the organization is communicating in words or by actions. It is therefore extremely crucial that the organization has a clear identity that can be communicated in the right way hence creating a positive image to the stakeholders and the public. However, the pharmaceutical industry is a very complex one, with stakeholders' that have very different expectations and perceptions that create conflicting interests. Arguably, there is a dispute on how the secondary and the primary stakeholders want the corporation to behave. On the one hand, an organization must devise strategies that will make their organization competitive in the world economy. That is often perceived as to provide high returns for their primary stakeholders, hence organizational-economic orientated. On the other hand, there is a great pressure on the corporation from the secondary stakeholders to behave as good citizens by being more socio-ethical responsible. This dispute put the corporation in a highly difficult dilemma. However, obviously, the corporation needs to think about their financial situation in order to exist, hence CSR is doing no good if the organization is going bankrupt. However, one might argue that profit maximization might not be perceived as a necessary means for the organization to survive. For an organization to survive in the long term they will need to have the support from all the stakeholders. One might therefore argue that by sacrificing a tiny percentage of the organization's profits to conduct CSR can be perceived as investing in the corporation's reputation and future.

6.1 REFLECTIONS

CSR and how it can affect the corporate reputation has always been an interesting issue for us. Therefore, it was a natural choice to conduct our Master Thesis within this topic. The picture we had on CSR before we started to investigate into the concept is very different from the one we have now. The perception we had on CSR were more associated with charity for different non-governmental organizations or companies such as the Body Shop that has no animal tested products policy. After further investigation into different literatures the concept started to have a different meaning. Suddenly CSR evolves into everything that has to do with satisfying the stakeholders and could be interpreted practically as one like it to be. For instance, paying taxes that one might assume is a requirement for not being punished by the “Kronofogden”, which is the Swedish tax enforcement officer, suddenly can be interpreted as an act of CSR. Still, more and more corporations are following this trend, however is it because they want to be a “good citizens” or is it because it can be so easy to follow due to lack of clear requirements? This leads to another thought, is CSR just another marketing tool for corporations to improve their corporate reputation? Is CSR a blessing to the corporate world to fool the unfortunate consumers that really thought that corporations for ones it trying to be good because of the “consumer power” pressure on the corporation to behave in a socio-ethical responsible manner? However, what corporations were not prepared on is the curse of CSR. Who would think that the consumers would actually use this concept against the corporations, by giving their own interpretations and expectations on CSR as well? Saying that if you really are social responsible then you have to take care of the society or why not the whole world?

One might argue that this is exactly what has happened to the pharmaceutical industry, which makes this industry very interesting for us to further investigate. The pharmaceutical industry is arguable the most easy target for non-governmental organizations, humanitarian activists, media, and even the public at large. The reason for this is because they are in the humanitarian sector and have products that can “save lives”, furthermore most of the companies in the industry have stated that they are taking “social responsibility”. This is the reason for why the pharmaceutical industry is being attacked by various stakeholders expecting them to be social responsible, however in their conditions. This leads us yet again back to the very basic of social responsibility, which is “being responsible to all the stakeholders”, hence create conflict of interests. This issue has been illustrated in the Case Study we have conducted, however in order to reach a broader target group, we have chosen not to focus the questions relating to CSR, since we believe it will generate a general philosophical moral discussion on what is right or wrong, which is interesting nevertheless not our intention. The questions on the Case Study are therefore more practical orientated on how to improve the corporate reputation. Still, take a moment to think, how would you solve this moral dilemma?

6.2 DIRECTIONS FOR FUTURE RESEARCH

There are lots of interesting potential researches within this issue. In this paper we had unfortunately not enough time or resources to focus on the end-consumers perceptions and expectations on the pharmaceutical industry. Furthermore, there are also other aspects of the pharmaceutical industry to look at when it comes to CSR, for instance the perceived unethical sales techniques to Doctors or further discussions on patent rights when it comes to the developing countries due to the on going discussion. There can also be further study into the two CSR concepts developed in this research or going deeper into one and investigate how companies implement and communicate CSR. Another direction for further research could

also be to compare the perception on social responsibility between different industries, for instance the tobacco industry that produces “bad” products and compare it with the pharmaceutical industry to see if the stakeholders’ perceptions and expectations are the same. However, our final suggestion for future research is to follow up this study after a couple of years to see whether the result has been changed and if the pharmaceutical industry has come up with some solutions in order to try to solve this dilemma.

6.3 THEORETICAL IMPLICATIONS

This research has exploited different aspects of CSR, Corporate Reputation and Stakeholder Theory. As we see it, the stakeholder theory is highly inter-linked with CSR, however due to lack of clarity of the CSR concept it can be interpreted as one like and generate separate ideas of what an organization should prioritize and being responsible for. This is the reason why dispute between different stakeholders evolves. Our theoretical implication is therefore to clarify the concept by separating it into two different definitions that can make it easier to grasp and more practically to implement. Furthermore, illustrate the conflict that might actually evolve by implementing CSR that needs to be considered and how it can affect the corporate reputation.

6.4 MANAGERIAL IMPLICATIONS

CSR can be perceived as a curse or a benefit. We are therefore suggesting three main implications that can work as a guideline for managers:

First, managers need to be aware of the organization’s stakeholders and their expectations in order to improve the corporate reputation. Furthermore, stakeholders can have different interests and opinions concerning how a company should behave and who it should be responsible for. Therefore if conflicting interests occur, it is important to satisfy all the stakeholders, however this can be difficult if there are to contrasting demands. A corporation should thus conduct a “wish list” by:

- Identify all the stakeholders.
- Identify their expectations or/and demands.
- Ranking them after the importance and what affect they can have on the corporation.
- Then work top-down on the list, prioritizing the stakeholders on the top however trying to satisfy as many stakeholders as possible depending on the company’s resources, emergency of the situation and time.

Secondly, if a dispute occurs it is also highly important to know where the company stands in the issue and that the corporation has full support from the entire organization in order to prevent miscommunications and internal disputes. When the company is stabilized, then the organization can develop clear objectives to solve this issue, however it is important that it goes in-line with the company’s identity and image for not being misleading or confusing. It is also important to be aware of that communication goes both ways by both actions and words.

Thirdly, companies that wish to conduct CSR should first consider applying the basic level of CSR, which is organizational-economic responsibility. If the company does not have a good

base of organizational-economic responsibility, then it will be much more difficult to get the entire support of the organization when a dispute occurs. This can result in less effective communication to the stakeholders and the public, furthermore create a sense of not conducting genuine CSR, which can lead to not being able to improve the corporate reputation or generate an opposite effect. Still, socio-ethical responsibility can be perceived as the more effective differentiated reputation enhancing tool towards the stakeholders and the public. This is therefore the approach all organizations should strive for in order to create a competitive advantage through differentiation. By having this approach a corporation can generate benefits in the long term with increased positive image and reputation, thus generate trust and loyalty.

CASE STUDY



SCHOOL OF ECONOMICS
AND MANAGEMENT
Lund University

LIFE VS PROFITS

THE COST OF A LIFE IN THE PHARMACEUTICAL INDUSTRY

INTRODUCTION

You are a Public Relations Consultant specialized in Corporate Reputation and Corporate Communication issues. You have recently received a brief from a Product Manager for the Department of HIV/AIDS Centre at one of the major pharmaceutical company asking for your assistant. The whole pharmaceutical industry has been overwhelmed with bad publicities from media covering the situation concerning the HIV/AIDS dilemma in the developing countries. EBST Pharmaceutical is a company that holds the patent for a key drug in the treatment of HIV/AIDS, the issue of how best to provide treatments in Africa. This has resulted in a big clash between the company's manager and some of the African governments, Aids-Africa relief activist and even some of the company's own institutional investors and employees. The Aids-Africa relief activists have been demonstrated outside the company and attracted lots of media attentions which have influenced the end-consumers to stop purchasing drugs related to the corporate brand, hence a noticeable rapid drop in sales and a tarnished corporate reputation. The CEO of the EBST Pharmaceutical has realized that something needs to be done, hence asked for your expertise in this area. Since you have not had any greater experience with the pharmaceutical industry before, you have been provided with a brief with some of the key information about the industry and the situation in Africa. A meeting has been set up for you and the EBST Pharmaceutical's CEO and Product Manager for the AIDS/HIV drugs department where you are going to present some of your suggestion of how to solve this dilemma.

THE EBST PHARMACEUTICAL'S BRIEF

PURPOSE:

The Department of HIV/AIDS Centre at EBST Pharmaceutical is seeking proposal from public relations companies with experience in Corporate Reputation and Corporate Communication, to develop and implement the public relations components of a high profile public awareness campaign to improve the corporate reputation.

BACKGROUND ON THE PROBLEM:

The feature of the EBST Pharmaceutical and other pharmaceutical companies in the industry is the long process of Research and Development (R&D). For EBST Pharmaceutical to

discover a new drug until it reaches its market takes almost 12 years and not even all the drugs that are researched and developed reaches the market. According to the last annual report it cost approximately 1 billion USD to develop a new drug and only 20 per cent manage to recover the full R&D investments. Even though a patent last for 20 years, it is often only 10 years left when it reaches the commercial market and soon after the patent has expire other competing companies introduces a similar product to the market, hence results in a rapid price drop. When a patent is granted, the patentee has the right to prevent others from using, offering for sale, selling or importing the innovation without permission in a specific country. Patent or intellectual property rights are therefore extremely important for EBST Pharmaceutical to be able to regain their investments as well as to invest in further R&D and to sustain innovation. Furthermore, besides the risks that are involved in developing new drugs and the intense competition for intellectual property, EBST Pharmaceutical also work under strict government regulations. The reason for why EBST Pharmaceutical is one of the major players in the market is because of competitive advantage through developing drugs that are innovative and differentiated, hence patentable and can be developed rapidly and marketed globally around the world.

The bad publications from the media have highly put EBST Pharmaceutical in a difficult situation where there are dispute of conflicting interests amongst different stakeholders. The activists from the Aids-Africa relief have been very active putting EBST Pharmaceutical in dark clouds. Arguing that EBST Pharmaceutical is behaving in an unethical way by charging a too high price on the HIV/AIDS drugs in Africa, where AIDS is the number one cause of death with nearly 40 million people still currently living with HIV. The cost of keeping an AIDS patient alive for a year cost up to 15,000 USD, which is 24 times the average annual income in Zimbabwe. The Aids-Africa relief activists therefore want the EBST Pharmaceutical to lower the price on HIV/AIDS drugs in Africa. However, it is impossible to lower the price to the same price level so that it suits that market because it would mean that the HIV/AIDS drugs will cost less than 2 USD, which is the daily income for most of the population in the Third world countries.

Since the Doha Declaration in 2001, the agreement on Trade Related aspects of Intellectual Property Rights (TRIPS) has changed to favouring the Third world, making it easier for poor countries to import cheaper drugs that are made under compulsory licensing from other developing countries if they are unable to produce the drugs themselves. The pharmaceutical companies in the developing countries are therefore allowed to produce the HIV/AIDS drugs that are going exclusively to the Third world and not to be sold in the developed market. Even though the agreement is perceived as a significant victory for the Third world access to AIDS drugs there are still an on going discussion regarding to the patent right.

For a couple weeks ago, EBST Pharmaceutical has discovered a new and improved AIDS/HIV drug. However, the dilemma EBST Pharmaceutical is facing now is whether to surrender the new and improved HIV/AIDS drug that has taken 14 years to develop in order to provide the developing countries access to the drug without first regaining the investments. The Aids-Africa activists argue that many people are still dying if they cannot get access to the new and improve HIV/AIDS drug, hence is demonstrating outside the company, causing bad publications and bad reputation. This issue has caused a lot of problem for the EBST Pharmaceutical both through internal dispute with employees and investors as well as externally with the African governments, Aids-Africa activists, other humanitarian organizations and the public.

COMMUNICATION AIM:

To re-establish trust amongst the EBST Pharmaceutical's target audience and to improve the corporate reputation towards the public by creating a campaign that can communicate the EBST Pharmaceutical's well intention.

COMMUNICATION OBJECTIVES:

- To generate a sense of trust and believe on EBST Pharmaceutical that they are doing everything they can to solve this issue.

TARGET AUDIENCES:

- **The Internal Stakeholders of EBST Pharmaceutical** – such as shareholders, employees, suppliers and consumers.
- **The Public at Large**
- **Other Interest Groups** – such as National state governments, African governments, Aids-Africa relief activists and other humanitarian organizations.

ASSIGNMENT:

A meeting will be held at EBST Pharmaceutical's headquarter with the CEO and the Product Manager for Department of HIV/AIDS Centre. The Consultant will be required to prepare some suggestions on the following questions:

- Should all the target audiences be prioritized or which target audience should be the main priority? – Motivate your answer
- How would you create the campaign?
- What would it communicate to the audience(s)?
- How can the campaign improve EBST Pharmaceutical's reputation?

REFLECTIONS

EBST Pharmaceutical is seemingly having a lot of pressure from both within and outside the corporation. There are many different conflicting interests and expectations to satisfy, but who is going to be prioritized and why. If the communication is going to be effective it is essential to know what is expected from each of the stakeholder groups. It is also important to be aware of that the communications going between the organization and its stakeholders and to the public is constant whether the organization is communicating in words or by actions. However, bad publicities caused by demonstrators and the media are not good for the corporate reputation, which has generated increase lack of trust amongst investors, employees, suppliers and consumers. For EBST Pharmaceutical to continue to be a successful company they will need to have the support from the entire company and arguable all the stakeholders. However, how will this be managed in an effective way and what key solutions are going to be presented to the EBST Pharmaceutical meeting?

BIBLIOGRAPHY

LITERATURES

- Andersen H. (1994) "Vetenskapsteori och metodlära – En introduction", *Studentlitteratur*, Lund
- Balmer J. M. T. and Greyser S. A. (2003) "Revealing the Corporation – Perspective on Identity, Image, Reputation, Corporate Branding and Corporate-Level Marketing", *Routledge*
- Bryman A. and Bell E. (2003) "Business Research Methods", *Oxford University Press*, United States
- Brytting T. (1998) "Företagsetik", *Liber Ekonomi*
- Easterby-Smith M., Thorpe R. and Lowe A. (2002) "Management Research- An Introduction" *Sage Publications*, London
- Fill C. (2002) "Marketing Communications – Context, Strategies and Applications (3rd Edition)", *Prentice Hall*
- Holme I. M. and Solvang B. K. (1997) "Forskningsmetodik – Om Kvalitativa och kvantitativa metoder", *Studentlitteratur*, Lund
- Johnson G., Scholes K. and Whittington R. (2005) "Exploring Corporate Strategy (7th Edition)", *Pearson Education Limited*
- Kapferer J. N. (2004) "The New Strategic Brand Management – Creating and Sustaining Brand Equity Long Term", *Kogan Page*
- Malhotra N. and Birks D. (2003) "Marketing Research" *Prentice Hall*, England
- Morrison J. (2002) "The International Business Environment", *Palgrave*
- Rhenman E. (1964) "Företags demokrati och företags organisation", *Norstedts*
- Saunders M., Lewis P and Thornhill A. (2003) "Research Methods for Business Students", *Prentice Hall*, England
- Zikmund W. (2003) "Business Research Methods", *Thomas South-Western*, United States of America

ARTICLES

- Argandöna A. (1998) "The Stakeholder Theory and the Common Good", *Journal of Business Ethics*, Jul, Vol. 17 No. 9/10, pg 1093

- Argenti P. A. and Druckenmiller, B. (2004) "Reputation and the Corporate Brand", *Corporate Reputation Review*, Winter 2004 Vol. 6, No. 4, pg 368
- Balmer J. M. T. and Wilson A. (1998) "Corporate Identity" *International Studies of Management & Organization*, Fall
- Bennett J. (2006) "Big Pharma on the Mend", *Weekday Trader*, January 9, 2006
- Borman S. (1999) "African AIDS tragedy: Patent rights vs. Human Rights", *Science Insights*, July 26, Vol. 77, No. 30, pg. 49
- Boswell E. H. (2004) "Meeting the Challenge of Credibility", *Pharmaceutical Executive*, Aug 2004, Vol. 24 No. 8 pg. 30
- Breitstein J. (2004) "Pharma Funds Are Not Enough", *Pharmaceutical Executive*, Aug 2004, Vol.24 No. 1 pg 90
- Calfee J. E. and Bate R. (2004) "Pharmaceuticals and the Worldwide HIV Epidemic: Can a Stakeholder Model Work?" *Journal of Public Policy & Marketing*, Vol. 23 (2) Fall 2004, pg. 140-152
- Carlisle Y. M. and Faulkner D. O. (2005) "The Strategy of Reputation", *Strategic Change*, Dec 2005, 14; pg. 413-422
- Carroll A. B. (1991) "The Pyramid of CSR: Toward the Moral Management of Organizational Stakeholders", *Business Horizons*, July-August
- Chandler R. and Chicco G. (2006) "Damage Control", *Pharmaceutical Executive*, Feb. 2006, Vol. 26 No. 2 pg. 108
- Clark C. E. (2000) "Differences between Public Relations and Corporate Social Responsibility: An Analysis", *Public Relations Review*, 26 (3): pg.363-380
- Coelho P. R. P., McClure J. E. and Spry J. A. (2003) "The Social Responsibility of Corporate Management: A Classical Critique", *Mid-American Journal of Business*, Spring 2003; 18, 1, pg.15
- Collins T. (2001) "The pharmaceutical companies versus AIDS victims: A classical case of bad versus good? A look at the struggle between international intellectual property rights and access to treatments", *Syracuse Journal of International Law and Commerce*, Fall 2001; 29, 1 pg 159
- Delagneau B. (2004) "One World, One Voice", *Pharmaceutical Executive*, Jun 2004, Vol. 24 No. 7 pg. 76
- DeLor K. (2004) "What is in a name?" *Pharmaceutical Executive*, Sep. 2004, Vol. 24 No. 9 pg. 149
- Economist (2005a) "The Good Company", *A Survey of Corporate Social Responsibility*, January 22nd-28th; pg.3

- Economist (2005b) “The Union of Concerned Executives – CSR as practised means many different things”, *A survey of Corporate Social Responsibility*, January 22nd-28th, pg.6
- Economist (2005c) “The World according to CSR”, *A Survey of Corporate Social Responsibility*, January 22nd-28th, pg.10
- Edwards J. (2005) “Big Pharma Faces Outbreak of Bad PR”, *Brandweek*, Mar 21; 46, 12, pg.6
- Fan Y. (2005) “Ethical branding and corporate reputation” *Corporate Communication: an International Journal*, Vol. 10 No. 4 pg 341
- Financial Performance: A Stakeholder Theory Perspective” *Journal of Business Ethics*, Vol. 32, No. 2, pg. 143-156
- Flaum S. A (2004) “Challenge of change is Pharma up to it?” *Medical Marketing and Media*, Jan 2004; 39, 1 pg 50-56
- Gibson K. (2000) “The Moral Basis of Stakeholder Theory”, *Journal of Business Ethics*, Aug, Vol. 26 No. 3 pg. 245
- Hanekamp G. (2005) “Business Ethics of Innovation”, *Poesis Prax*, 3: pg.310-314
- Harrison, J. S., and Freeman R. E. (1999) “Stakeholders, Social Responsibility, and Performance: Empirical Evidence and Theoretical Perspectives” *The Academy of Management Journal*, October 1999
- Harting T. R., Harmeling S. S., and Venkataraman S. (2006) “Innovative Stakeholder Relations: When ‘Ethics Pays’ (and When it does not)” *Business Ethics Quarterly*, Vol. 16, No. 1, pg. 43-68
- Hurst R. (2006) “Ethics and the Purchaser”, *Supply Management*; Mar 2, 2006; 11, 5; pg. 17
- Moore M. (2001) “Yes, Drugs for the Poor – and Patents as Well”, *International Herald Tribune*, Thursday, February 22
- Kobori S. (2002) “TRIPS and the Primacy of Public Health”, *Asian-Pacific Review*; Vol. 9, No 1, pg. 10-19
- Neville B. A., Bell S. J. and Mengüç B. (2005) “Corporate Reputation, Stakeholders and the Social Performance-Financial Performance Relationship”, *European Journal of Marketing*; Vol. 39 No. 9/10, pg. 1184-1198
- Pesqueux Y. and Damak-Ayadi S. (2005) “Stakeholder Theory in Perspective”, *Corporate Governance*; 5, 2, pg.5
- Porth S. J. and Sillup G. P. (2005) “Good News Bad News”, *Pharmaceutical Executive*, Apr, 25, 4, pg. 106
- Porth S. J. and Sillup G. P. (2006) “Front Page Pharma” *Pharmaceutical Executive*; Feb 2006; 26, 2; pg. 54

- Resnick J. T. (2002) "A Matter of Reputation" *Pharmaceutical Executive*, Jun 2002 Vol. 22 No 6 pg 74
- Robins F. (2006) "The Challenge of TBL: A Responsibility to Whom?", *Business and Society Review*, 111:1, pg. 1-14
- Singhapakdi A., Vitell S. J. and Kraft K. L (1996) "Moral Intensity and Ethical Decision-Making of Marketing Professionals", *Journal of Business Research* 36, p. 245-255
- Spinello R. A. (1992) "Ethics, Pricing and the Pharmaceutical Industry", *Journal of Business Ethics*; Aug; 11, 8, pg.617
- Thomas, M. & Hill, H. (1999) "The Impact of Ethnocentrism on Devising and Implementing a Corporate Identity Strategy for New International Markets" *International Marketing Review*; Vol.16 No. 4/5 pg. 376
- Turett N. (2005) "Communications Delivery Chain", *Pharmaceutical Executive*; Oct 2005; 25, 10 pg 126
- Tyrell A. (2006) "Corporate Social Responsibility: What is your View?", *Accountancy Ireland*; Feb 2006; 38, 1, pg. 44
- Vasella D. (2004) "Improving Third World Health", *Chief Executive*; Dec 2004; 204, pg 29
- Wu M. (2006) "Corporate Social Performance, Corporate Financial Performance, and Firm Size: A Meta-Analysis" *Journal of American Academy of Business, Cambridge*; March 2006; 8, 1, pg.163

ONLINE RESOURCES

- Aids: www.aids.org, 06-05-10
- Patent Wars on Aids Drugs: <http://www.patentbattles.com>, 06-05-02
- Tutor2u: www.tutor2u.net, 06-04-20
- Joint United Nations Programme on HIV/AIDS (UNAIDS): www.unaids.org, 06-05-10
- World Health Organization (WHO): www.who.int, 06-05-01
- World Bank: www.worldbank.org, 06-05-10
- World Trade Organization (WTO): www.wto.org, 06-05-01
- Wikipedia: <http://en.wikipedia.org/>, 06-04-20

PRIMARY DATA

Face-to-Face Interview

Hodgson, Peter; Consultant for the Red Cross; 06-05-12

Lindberg, Bengt; Global Drug Safety Physician for AstraZeneca; 06-05-16

Telephone Interview

Iveroth, Thomas; Dr for a Private Medical Clinic in Munsö; 06-05-23

Kiiveri, Paula; Researcher for Sahlgrenska Institute of Clinical Sciences; 06-05-24

Mandahl, Håkan; Vice President for the Swedish Association of the Pharmaceutical Industry;
06-05-17

Trollestad, Claes; Research and Consultant for the Ethic Academy; 06-05-16

INTERVIEW QUESTIONS TO THE RESPONDENTS

1. Do you think that corporations in today's society are taking social responsibility in general?
2. Do you think that each individual corporation should take social responsibility? – Why/Why not?
3. What social responsibility should be prioritized in your opinion?
4. How do you perceive the Pharmaceutical Industry concerning social responsibility?
 - Do you think that the Pharmaceutical Industry should be social responsible? – Why/Why not?
5. Do you think that the Pharmaceutical Industry should take bigger social responsibility towards the society compare to other industries e.g. Fashion, Car Industry etc?
6. What reputation do you think that the Pharmaceutical Industry has? (Positive, Neutral, Negative) –Why?
 - If negative, should the Pharmaceutical Industry try to improve their reputation?
7. Do you think that different stakeholders can influence the Pharmaceutical Industry's decisions concerning social responsibility? – Why/Why not and how?
8. Do you see any change in the Pharmaceutical Industry concerning greater social responsibility in the future? – Why?
9. Do you think that social responsibility is a relevant issue?
 - If yes, are there any limits or boundaries to social responsibility?

INTERVJUFRÅGOR TILL RESPONDENTERNA

1. Hur tycker du att företagen i samhället generellt sätt tar socialt ansvar?
2. Tycker du att varje enskilt företag bör vara socialt ansvariga? –Varför/Varför inte
3. Vilka socialt ansvarstagande tycker du bör prioriteras?
4. Vad har du för uppfattning på läkemedelsindustrin rörande socialt ansvarstagande?
 - Tycker du att läkemedelsindustrin bör vara socialt ansvariga? –Varför/Varför inte
5. Tycker du att läkemedelsindustrin bör ta ett större ansvar gentemot samhället jämfört med andra industrier? (Ex. läkemedelsindustrin producerar produkter som kan rädda liv) –
Varför/Varför inte
 - Hur tycker du att läkemedelsindustrin bör agera mot samhället?
6. Vad tycker du att läkemedelsindustrin har för rykte? (Ex. neutralt, positivt, eller negativt)
 - Om negativt, är det något läkemedelsindustrin bör arbeta för att förbättra ryktet?
7. Tror du att intressenter (olika organisationer) kan påverka läkemedelsindustrins beslut rörande socialt ansvarstagande? –Varför/Varför inte
8. Se du någon framtida förändring inom läkemedelsindustrin rörande större socialt ansvarstagande? – Varför/Varför inte?
9. Tycker du att socialt ansvarstagande är relevant?
 - Om ja, vart går gränsen för hur långt företagen ska ta socialt ansvar?