



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

License to save?

Corporate Social Responsibility
activities of pharmaceutical
companies in developing countries

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This thesis intends to examine the CSR activities of pharmaceutical companies in developing countries with two case studies representing the industry, AstraZeneca and Pfizer.

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ABSTRACT

The intention of this thesis is to investigate why and how pharmaceutical companies perform Corporate Social Responsibility (CSR) in developing countries. The use of CSR is getting more common in companies, including pharmaceutical ones. It is necessary to engage in CSR activities since it has become a natural part of many businesses where the public expect the companies to act socially responsible.

Based on case studies of AstraZeneca and Pfizer, the pharmaceutical industry and its role in how to perform CSR is discussed. The analysis is based on a PESTLE-analysis, an abbreviation for **P**olitical, **E**conomic, **S**ocio-cultural, **T**echnological, **L**egal and **E**nvironmental, describing the environment in developing countries and how that affects AstraZeneca and Pfizer. This is complemented with four responsibilities of CSR; economic, philanthropic, legal and ethical.

The conclusions indicate that large resources are dedicated to CSR activities in the pharmaceutical industry. Most of the projects concern health issues in Africa where AstraZeneca and Pfizer cooperate with local organizations. However, it might be wise to enhance the cooperation with local governments in the future.

Keywords: CSR, pharmaceutical companies, developing countries, AstraZeneca, Pfizer, PESTLE.

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1 INTRODUCTION

This section provides a background to the thesis and also gives a presentation of purpose, research questions, problem discussion and delimitations. An outline of the thesis is also provided.

1.1 Background

Corporate Social Responsibility (CSR) is a term that describes how companies take responsibility towards society and the environment. The companies can be involved in activities concerning employees, customers or local community. They can also pursue activities towards groups or areas in other countries, which are not directly connected to their everyday business operations. Nowadays many companies are engaged in socially responsible activities, since the stakeholders, everyone affected by companies' actions and decisions, expect companies to take responsibility besides just their core activities. The companies might also feel the urge to contribute to a better society in a philanthropic way. A number of recognized researchers have defined the term Corporate Social Responsibility and this will be discussed later on in this thesis.

CSR has developed positively during the last decade and is a significant part of all industries, including the pharmaceutical one. However, this industry has been put under pressure due to the possibility of providing medicines for many lethal diseases. Pharmaceutical companies were pressured by the United Nations after the Millennium Development Goals were established in the early 2000s. These goals especially addressed the important issue of pharmaceutical companies helping to improve human development in developing countries (United Nations, 2012).

The global financial crisis in 2008-2010 contributed to the increased interest of CSR in the pharmaceutical industry in developing countries. The repercussions of the crisis have been severe and have increased the need for help in developing countries. The economic effects of the financial crisis can be measured by, for example, increased debt level in many countries. The political and social effects, however, are more difficult to measure and it might take several years before the actual effects can be seen. CSR efforts are even more important now since more people need help. The financial recession has not only lead to an economic downturn but also an increasing distrust for companies, governments and politicians (Crouch

& Maclean, 2011). CSR activities in developing countries can be an efficient tool for pharmaceutical companies to regain lost trust.

When choosing the topic for this thesis, it was decided to concentrate on the pharmaceutical industry. Due to the fact that pharmaceutical companies engage in many CSR activities in developing countries it is remarkable how big difference they can make. The possibilities for pharmaceutical companies to improve life quality in developing countries are large and therefore this is interesting to study further.

1.2 Purpose and Research Questions

The purpose of this thesis is to investigate how pharmaceutical companies conduct CSR towards developing countries and their incentives to do so. In order to be able to answer the purpose, the following research questions will be used.

- ✓ Why do pharmaceutical companies perform CSR in developing countries?
- ✓ How do pharmaceutical companies perform CSR in developing countries?

1.3 Problem discussion

Most industries have been compelled to face the increasing pressure on companies to act socially responsible, and the pharmaceutical industry is no exception. What makes this industry special is the large focus on research and development (R&D) and all resources that are being dedicated in this area. Like all companies, they have to make profit for their shareholders, which requires them to charge for their medicines. On the other hand, they produce the cure or treatment for many serious diseases and thereby have the possibility to improve life quality for many people. It is a difficult balance to maintain since shareholders want to maximize profits while the companies also face pressure to contribute to improved global health, including people that cannot afford medicines. In developing countries, especially, there are many people that do not have the possibility to buy medicines and therefore it is imminent to contribute in these countries. Finding this balance has turned out to be quite complicated, and it can be hard to satisfy all stakeholders. There have to be incentives for pharmaceutical companies to engage in CSR and dedicate large resources in activities that do not immediately maximize profits. In this thesis, this issue will be investigated and the motives to invest for pharmaceutical companies in general, and AstraZeneca and Pfizer in particular, will be examined.

When performing CSR activities there are several questions that arise. First of all, it can be challenging for companies to decide on how and where to contribute with their CSR activities. Many people worldwide are in great need of help from pharmaceutical companies and it is complicated for the companies to make the decision on where to dedicate CSR activities. It is also difficult to decide on how to establish CSR in developing countries. Companies in many industries have experienced the difficulty of operating and cooperating with partners in other countries and this has made it even more important to find trustworthy partner organizations, which is the most common way of performing CSR in the pharmaceutical industry. It is also the issue of deciding how to distribute the resources in order to reach as many people as possible but still provide efficient help.

1.4 Delimitations

This thesis aims at providing an increased understanding of how pharmaceutical companies perform CSR in developing countries. One reason for the choice of the pharmaceutical industry is partly due to an increased pressure on this industry to be socially responsible. Another reason is the great influence that this industry can have on humanity in terms of not only capital and financial resources but also life-saving medicine, which makes it differ from other industries and qualify as an interesting topic. There are many actors involved in CSR, such as non-governmental organizations (NGOs), companies, the public at large, governments, labor unions, suppliers, researchers, employees etc. However, in this thesis we will focus on the companies and how they perform CSR in developing countries.

Due to limitations in time and scope, two companies were chosen to exemplify how the industry performs CSR in developing countries; Astra Zeneca and Pfizer. All ten of the largest pharmaceutical companies are either European or Northern American (Roth, 2011). Astra Zeneca was chosen partly because of its European heritage and large presence in Sweden, but also because of its size and importance in the global pharmaceutical industry. Pfizer, an American giant, was chosen due to the fact that it is internationally recognized and very successful, currently being the most profitable pharmaceutical company.

The emphasis in this thesis has been concentrated on CSR in developing countries. One essential reason for this is the fact that CSR can have a strong effect and improve the living standards of the local inhabitants in these countries. Due to the nature of the industry, developing and providing medicines, CSR in these countries can contribute to save lives.

However, there should be pointed out that the issue of people not being able to afford medicines is present in developed countries as well, but in this thesis we will concentrate on developing countries.

1.5 Thesis Outline

The first section provides an introduction to the subject as well as purpose, research questions and problem discussion. This will give a basic background of the problem area as well as present the purpose of this thesis and the questions that will be used to fulfill the purpose. The second section describes how this thesis was conducted and the methods used. Furthermore, this section covers the research approach, course of action, data collection and finally the credibility of this thesis and the PESTLE-analysis. The third section handles the theories and definitions, focusing on CSR and the CSR pyramid. The fourth section covers the case studies, including a presentation of the pharmaceutical industry as well as the case studies of AstraZeneca and Pfizer. The fifth section will provide the analysis, in which the PESTLE-analysis and the CSR pyramid will be utilized. To sum it up, a conclusion will be given along with suggestions.

2 METHODOLOGY

This section presents methods used during the process of writing this thesis, beginning with the research approach. A description is given of how the collected information has been managed. Finally, we discuss the credibility of this thesis and the PESTLE-analysis.

2.1 Research approach

The research approach of this study is qualitative, which means collecting information through, for example, case studies. This research method is useful in order to investigate and describe the actions of an individual or an organization (Doz, 2011), which is done in this thesis. A qualitative research is also wiser to use compared to a quantitative research, which is more focused on numerical data collection. Case studies are descriptions and analysis of a certain person, organization, activity or event and their actions (Hair, 2007). Case studies have been used when describing and analyzing AstraZeneca and Pfizer. Reasons for this is to gather in-depth understanding of the companies' behavior and reasons for this behavior. Furthermore, this will also give a richer and thicker view (Doz, 2011).

This thesis originates from an inductive theory. An inductive theory claims that the theory can be explained through the outcome of observations, and in this thesis it can also provide a richer view of the companies and therefore is more suitable than a deductive theory (Doz, 2011).

2.2 Course of action

The first step in the process was to determine in what area to conduct this thesis project. The main idea was to investigate the pharmaceutical industry and also include humanitarian aspects. Information was gathered within the area to gain a better understanding in order to identify a problem. The literature review resulted in problem identification, formulating research questions and a purpose. The next step was to create a theoretical framework suitable for the purpose. Writing the framework gave enough knowledge to continue with case studies and the creation of interview questions. Interviews were conducted, as a part of the case studies, and this made it possible to continue with the analysis and conclusion. During the entire process the research questions and purpose was always in mind in order to maintain a common thread throughout the thesis.

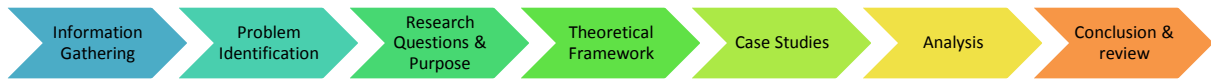


Figure 1: Thesis process, elaborated by the authors

2.3 Data Collection

Qualitative data is collected from both primary and secondary sources. Primary data come from information gathered from, for example, interviews, while secondary data includes already documented data, such as literature (Hair, 2007).

2.3.1 Primary Data

Primary data was collected through two interviews, one with AstraZeneca and one with Pfizer. The purpose of these interviews was to gain a better and deeper knowledge of the two companies' CSR activities beyond what could be found through literature and official company information, for example through their webpages. This might give the thesis another dimension of the problem area.

The interview questions were created after writing the descriptions of the companies and their CSR activities in developing countries. When designing the questions it was agreed to focus on three main areas; the fundamental idea of CSR, the decision making process and value creation. Each area covered four or five open questions. The reasons for these choices were the difficulties to find this information elsewhere.

The Director of Global Corporate Responsibility at AstraZeneca and the Manager for CSR and Environmental affairs at Pfizer were contacted and telephone interviews were scheduled. The interviews lasted between 30-45 minutes.

A semi-structured interview method was used, which allows the interviewer to ask questions but at the same time permits the respondent the opportunity to give unanticipated additional information (Hair, 2007). The designed questions (see appendix 1) were used as a guide during the interviews, although the interview persons were allowed to speak quite freely. Once the interviews were completed, the information was incorporated into the descriptive case studies.

2.3.2 Secondary Data

Secondary data has been collected through literature, internet, scientific journals and text books. Search engines through the University of Gothenburg webpage have been used to access appropriate and valuable databases. References of previous research have also been utilized in order to receive a wider range of sources. Furthermore, the companies' webpages have been valuable.

2.4 Credibility

When conducting a case study, the validity can be assessed when comparing the outcome with the researcher's predictions. If the predictions are accurate, the research is valid. To be able to establish validity effectively, the qualitative research has to be well documented regarding fieldwork and analysis procedures so that others can examine and confirm the validity of the procedures and conclusions (Hair, 2007).

Trying to determine the validity of this thesis, it has to be taken into consideration that this is a qualitative study, therefore traditional statistics cannot be used, and for this reason the validity can be difficult to measure. However, a high level of validity can be maintained by thoroughly documenting the fieldwork and in this way ensure that the study corresponds to the initial purpose. In this thesis a number of sources have been used and documented carefully, therefore the validity can be assumed rather high.

A high degree of reliability indicates that the same study, using the same research method, could be conducted and would result in a similar outcome (Esaïsson, 2012). The reliability in this thesis depends upon the accuracy when dealing and interpreting the collected material. There is always a possibility of different interpretations but it has been conducted as objective and accurate as possible. The highest risks for low reliability in this thesis are probably related to the interviews. In order to avoid errors, such as misinterpretation, both authors participated in the interview by recording and taking notes as well as immediately processing the information. Furthermore, it is believed that if this study was to be proceeded once again, the results would be similar to these findings, although the material has been concluded and analyzed according to personal beliefs and experiences. Based on these assumptions, the study can be considered to have a high reliability.

When performing research, criticism of the sources is of importance. The sources might differ in quality, reliability and importance. It is therefore crucial to remain critical when gathering

and selecting information. There are aspects that can be useful when determining whether sources are credible, such as authenticity, independence and concurrency (Esaiasson, 2012).

In the theoretical framework secondary data has been collected from scientific journals and text books. It can be assumed that these sources fulfill all aspects mentioned above, since the scholars are well-known and their work has already been critically reviewed by other researchers.

In the case studies the information has been collected from the companies' websites as well as through interviews. In these situations, it is important to remain critical since the companies control the information shared. Since this thesis has looked closer into two large and well-known companies, it can be expected that the companies disclose somewhat accurate information. However, it can be assumed that both companies want to bring out a positive picture and for that reason they might exclude less beneficial information.

2.5 PESTLE - analysis

In this thesis a PESTLE-analysis will be used to describe the environment that AstraZeneca and Pfizer face. A larger number of companies are choosing to globalize their operations in order to increase growth and profitability. There is a great challenge for companies to enter new markets and opening up new operations abroad. In order for companies to successfully establish in a new market, it is essential to understand the external environment and examine the differences between different regions in the world. One of the most used models to describe the external environment is the PESTLE analysis, which is an abbreviation for **P**olitical, **E**conomic, **S**ocio-cultural, **T**echnological, **L**egal and **E**nvironmental (Baines, Fill & Page, 2008).

2.5.1 Political

The political environment in a region has a great impact on the operations of companies. The political environment refers to the interaction of businesses, societies and governments within legislative framework. It includes for companies to try predicting future laws and regulations in a certain region. However, the political environment is difficult to control, but in some cases there might be an option for companies to try and influence the actors in the process of legislating (Baines et al. 2008). Another important factor is the political instability in a region. It can be risky to do business in unstable countries or countries suffering from war.

Companies also need to pay attention to policies regarding taxes, trade agreements and liberalization of certain industries (Som, 2009).

2.5.2 Economic

The economic environment in the region where companies operate and trade is of great importance. Factor prices, such as raw materials and labor, are strongly affected by macroeconomic factors in a country. The economic situation in a country depends on wage levels, price inflation, gross domestic product, income, sales taxes and exchange rates (Som, 2009). The purchasing power parity is an important tool and makes comparison easier. The overall economic situation in a country or region is also of importance. A recession, for example, has a negative impact on companies (Baines et al. 2008).

2.5.3 Socio-cultural

It is essential to have an understanding of the socio-cultural environment. Differences in this area depend on factors such as language, consumer behavior, religion, ethnicity, purchasing power, family structure and demographics (Som, 2009). Frequent changes in people's lifestyles and preferences may cause difficulties and companies always have to consider the development of the socio-cultural environment (Baines et al. 2008).

2.5.4 Technological

The constant development of new technologies has a great impact on business activities and the fast development of internet and telecommunication services has changed the environment for most companies. These improvements in technology have affected companies, and especially those in high-technology industries such as the pharmaceutical one. The developments in biotechnology and artificial intelligence have been of great importance to the pharmaceutical industry, since in this industry, improved technology and R&D can lead to new products and medicines (Baines et al. 2008). Furthermore, it is also important to understand the local technology laws such as intellectual property rights and research funding (Som, 2009).

2.5.5 Legal

The legal factors in a particular region are of great importance to the operations of companies. The difficulty is the legal differences between, and sometimes within, countries. Companies need to gain a full understanding of legislation regarding competitive environment, private property, taxation, consumers and labor laws. For pharmaceutical companies it is especially important to examine the health and safety laws (Som, 2009). The legal environment also

includes product safety. In certain industries such as the pharmaceutical, there are very strict regulations regarding testing, approval, manufacturing, distribution and sales of medicines (Baines et al. 2008).

2.5.6 Environmental

With an increasing importance, companies are concerned about the environment in which they operate. They are forced to acknowledge an increasing demand for ‘green’ products produced without damaging the environment or the consumers (Baines et al. 2008). Furthermore, there is an increasing pressure from governments and organizations by laws of waste disposal, pollution and carbon emissions (Som, 2009). From all ends, there is a demand on companies to be responsible towards the environment.

3 THEORIES & DEFINITIONS

This section presents the theories and definitions used in this thesis, in order to give a basic understanding of the problem area. The concept of CSR is introduced as well as a definition of developing countries.

3.1 CSR

The term ‘Corporate Social Responsibility’ may be unknown to some, but the desire for socially responsible companies is growing. Even though it is a fairly new concept, the customers and investors are expecting a company that acts sustainable towards society and environment. The way companies act socially responsible can be different, but common is the increased pressure of meeting the expectations from the stakeholders. The CSR activities can differ between industries and vary from fighting global issues, such as poverty and malaria in developing countries, to decreasing carbon dioxide emissions or supporting the local school in a sports tournament. The need of CSR has been increasing for the last decades and has forced many companies, and especially global ones, to reconsider their engagement in CSR and how to employ it in their every-day operations (Carroll & Shabana, 2010).

3.1.1 Definitions of CSR

There are more than 30 known definitions of CSR according to research (Dahlsrud, 2008). One definition, according to the prominent economist Kotler (2005), is ‘a commitment to improve community well-being through discretionary business practices and contribution of corporate resources’. Common for most definitions is the responsibility companies have towards society. However, the responsibility can include activities in different dimensions, such as environmental, social, economic and voluntariness (Dahlsrud, 2008).

Our definition of CSR is based on previous research and own opinions and is utilized in the rest of this thesis:

CSR is the responsibility that companies have towards society regarding social, economic and environmental issues and how companies contribute to solve these issues.

3.1.2 History

The roots of CSR go back to around the time of World War II, although it was not until in the 1960s that it became widely known. CSR can be said to have emerged in the Cold War era as a way of protecting companies from the threat of communism and defending market capitalism (Spector, 2008). CSR continued to grow in the 1960s and this largely due to social

movements. The pressure for social changes had a great impact on companies and required them to engage in these issues (Carroll & Shabana, 2010; Lee, 2008). Development of the social environment led to a 'new' society for them to operate in and enhanced the importance to be socially responsible. An increasing number of companies joined the movement for social responsibility (Carroll & Shabana, 2010).

During the 1970s, companies continued to further recognize and acknowledge the importance of social responsibility and most agreed on the great importance CSR would have in the future (Carroll & Shabana, 2010). In the 1980s, much focus was put on business and ethical standards. Great emphasis was also put on linking CSR with improved financial performances (Lee, 2008). In the 1990s and 2000s, the concept of CSR expanded quickly and required companies to also have a global outreach in their CSR efforts.

Nowadays, managements worldwide have realized the importance of CSR and are now including it in the core business principles since it might have a great impact on reputation, stakeholders and financial performance. Furthermore, the continued growth of CSR has also put more focus on the environmental aspect (Lee, 2008).

3.1.3 Motives for CSR

There are several motives for engaging in CSR. Some of those being mentioned in literature are cost and risk reduction, CSR as a competitive advantage, corporate philanthropy to enhance legitimacy and reputation leading to win-win outcomes for both the company and society.

Cost and risks can be reduced by the use of CSR as part of companies' risk management. Potential risks might be regulatory risks such as new laws being implemented regarding environmental concerns or new tax and labor laws. There can also be security risks due to terrorism and riots. The demographic risks are essential where cultural diversity and gender discrimination create tension within a country or a region. Socio-ethical risks are of great importance and can show through bad reputation, increased activism from NGOs etc. By using CSR, companies can prevent or at least predict some risky situations. Furthermore, CSR can also have the effect of reducing future costs. For example, environmental efforts may lower the costs in the long run and possibly lessen the risk for natural disasters. Future costs might also be reduced by contributing to the local community and thereby receiving certain benefits, such as economic (Horrigan, 2010). The economic benefits have turned out to be essential for companies when deciding to engage in CSR. However, the impact of CSR on

reducing costs has been argued since it can be difficult to measure the actual effects (Weber, 2008).

CSR can be a competitive advantage when used to differentiate the company from competitors and by the appropriate use of CSR companies might improve the relationship with customers and local community. In order to stay competitive, companies should focus on CSR efforts that align with their core competencies (Kurucz, Colbert & Wheeler, 2008). Companies can use CSR as a differentiation strategy, by performing CSR activities that set them apart from their competitors and thereby creating a competitive advantage. Furthermore, it can help companies to recruit the right talents and attract investors, which can be a competitive advantage as well (Carroll & Shabana, 2010).

Corporate philanthropy is another reason for performing CSR. The aim is to improve life quality for underprivileged segments of the population and benefit the communities where the companies operate (Som, 2009). Even though corporate philanthropy means to contribute to improving life quality by charity, companies still have to consider shareholder returns. Therefore they aim to perform philanthropic activities meeting both economic and social objectives. Philanthropic activities can later be used as a competitive advantage (Carroll & Shabana, 2010).

CSR can also be used in order to enhance the company image and reputation. By performing CSR activities, companies meet the demand of different stakeholders and thereby earn a better reputation and legitimacy. This might help to attract customers, investors and new employees (Weber, 2008). It might also be used to create good publicity and appear in branding and marketing campaigns. A company can use CSR efforts and search for opportunities that benefit many stakeholder groups while still pursuing its core business operations profitable. Companies may do this by ‘connecting stakeholder interests, and creating pluralistic definitions of value for multiple stakeholders simultaneously’ (Kurucz et al. 2008). One example is the contribution to education.

3.1.4 Argumentation for CSR

Most argumentation for CSR is based on the belief that it is in the self-interest of a company to be responsible towards society. If a company wants to be competitive it must contribute to a society and an environment in which it can operate in the future and therefore CSR can be useful (Carroll & Shabana, 2010). Another important argument is the possibility to avoid governmental regulations by already being responsible towards society and the environment

without requiring legislation. This might also improve the relationship to governments and NGOs, which can be beneficial in future collaborations (Weber, 2008). Another reason for using CSR is that companies have the resources and power to actually make a difference and therefore should try to contribute to the solving of social and environmental problems (Carroll & Shabana, 2010). CSR should also be used in order to prevent social problems instead of just reacting when they already have occurred. In this way, it can be easier and less costly to solve problems. Another important reason for conducting CSR is the increased demand from the general public. Companies can suffer a lot if being viewed as irresponsible towards society. It can also be argued that many shareholders require the company to perform CSR.

Conducting CSR can improve the relationship to employees since it can make the company more popular among them and thereby increase their motivation, which can lead to an efficiency gain (Weber, 2008). It has also been argued that CSR can improve financial performances by, for example, increasing sales or the reduction of taxes (Weber, 2008).

3.1.5 Argumentation against CSR

Economist Milton Friedman (1962), among others, opposed the idea of CSR. He argued that the only objective of management should be to maximize profits for its shareholders and not addressing social issues. However, business needs to be conducted within the legal framework and ethical standards (Salazar & Husted, 2008). Due to a free-market capitalist system, companies should focus on satisfying shareholders and leave social problems to governments. Friedman also argued for the dangers of performing CSR and the negative effects it might have on shareholder funds. All resources should be put into the business to further increase the profit for shareholders and not invested into areas that are not related to the business purpose (Carroll & Shabana, 2010). Furthermore, he was of the opinion that companies are already taking social responsibility by invigorating the economy, creating profit for their owners as well as creating job for their employees. If social demand does increase shareholder value then it is beneficial, but if CSR only impose costs it should be disallowed (Garriga & Melé, 2004).

Another important argument against the concept of CSR is that companies do not have the skills to deal with and make decisions regarding social issues. It is not up to them to solve these issues since there are governments and organizations that are better equipped to do that. It can also be argued that companies already have too much economic and social power and should not have any more (Carroll & Shabana, 2010). By performing CSR, companies can

possibly undermine governments and companies should not be able to. Opponents of CSR also argue that financial performance cannot be accurately measured and therefore should not be a motive for engaging in CSR (Weber, 2008).

3.1.6 The CSR pyramid

CSR can be described by identifying four different kinds of responsibilities that companies have toward their stakeholders: economic, legal, ethical and philanthropic. These four responsibilities create the CSR pyramid which describes how companies take responsibility and contribute to society by taking different actions (Carroll, 1991). These can be seen as the components of CSR and can be described as required economic and legal responsibilities, expected ethical responsibilities and desired philanthropic responsibilities (Carroll & Shabana, 2010). Even though the pyramid is a general model of CSR, it might be best applicable on developed countries.

Economic responsibilities are mainly to provide and sell goods/services in order to make profit and thereby fulfill the business objective, which will contribute to the development of society. The economic responsibilities also include maximizing the earnings of share and profit, being as efficient as possible and remaining competitive. There are disagreements regarding what economic responsibilities consist of. Milton Friedman argued that the only business objective a company should have is to maximize the profits for the shareholders (Melé, 2008).

Legal responsibilities refer to companies obeying laws and regulations set by society. This includes providing products that meet legal requirements. By following laws and regulations, companies take social responsibility.

Ethical responsibilities include the view of doing what is morally right for every company. It is important to meet and respect the norms and expectations of society as well as try to prevent these norms being compromised (Carroll, 1991). It is also essential to report ethically to the stakeholders. This can, for example, be done by integrating CSR in annual reports and other official documents.

The philanthropic responsibilities mean to ‘do the right thing’ and be ‘a good corporate citizen’ (Carroll & Shabana, 2010). Furthermore, it is also essential to meet the expectations of society and contribute by having managers and employees performing voluntary and charitable activities. Potential areas for contribution are education and art in the local

communities. To conclude, philanthropic responsibilities aim at improving life quality in society (Carroll, 1991).



Figure 2: The CSR Pyramid (Carroll, 1991) elaborated by the authors

3.1.7 CSR in developing countries

In developing countries, in contrast to developed countries, more of the focus of CSR is put on social issues than on environmental or ethical issues (Visser, 2008). However, CSR in developing countries is more developed and advanced than what is generally believed (Baskins, 2007). A similarity between large companies in developing and developed countries is the approach on reporting their CSR activities. But still, there is a lack of CSR initiatives in the business strategies (Baskins, 2007). In developing countries, there are mainly larger companies performing CSR activities since their global competitors are doing it and thereby compelling them to do it as well (Baskins, 2007).

Main drivers for CSR in developing countries are, for example, cultural traditions of philanthropy, regulations, socio-economic issues, response to natural and political disasters, international standardization and larger pressure on the entire supply chain to be socially responsible (Visser, 2008).

Some of the main efforts of CSR in developing countries are the Millennium Development Goals and how to contribute to their success. The goals vary from reducing poverty and the spreading of HIV/AIDS to increasing the access to education in developing countries (United Nations, 2012).

A modified CSR pyramid, originally explained by Carroll, can be used when describing CSR in developing countries (Visser, 2008). In these countries, economic responsibilities concern job creation and establishment of local businesses besides just being profitable. The philanthropic responsibilities are expected to a larger extent in these areas due to severe social and environmental problems. In developing countries it is an important tradition to help people in need. However, many developing countries are depending on foreign aid in these matters. Concerning legal responsibilities, there is usually a smaller focus on legal issues in developing countries. This is mainly due to the lack of a functioning legal framework. Finally, the ethical responsibilities are given little attention in many developing countries (Visser, 2008). There are simply other issues that are considered to be more acute and severe. Therefore it is appropriate to change the order of priorities in Carroll's CSR pyramid. Economic responsibilities should still be given most focus, followed by philanthropic, legal and ethical. This simply gives a more fair view of CSR in developing countries (Visser, 2008).



Figure 3: The CSR pyramid in developing countries (Visser, 2008) elaborated by the authors

The CSR activities in developing countries differ among regions. In Asia, the activities vary quite a lot between the countries regarding education, environment and employee relations. Previous research has shown that CSR in Asia consists mainly of three different activities. The most common activity is (1) community involvement, followed by (2) socially and environmentally responsible production and finally (3) the improved employee relations. In Africa, the great majority of the CSR work performed by local companies is concentrated to South Africa (Baskins, 2007). CSR in this region is strongly shaped by the history of colonialism as well as widespread corruption and health issues. In other parts of Africa, the majority of activities are conducted by foreign companies. CSR in Latin America have been strongly affected by social and environmental issues, such as deforestation, inequality, crime and high unemployment. Many Latin Americans are concerned about these issues and believe CSR in these areas can contribute to a solution (Schmidheiny, 2006). To conclude, CSR is increasing in developing countries and there are also anticipated regulations in the future that might further enhance it (Baskins, 2007).

3.2 Definition of Developing Countries

Developing countries comprise 150 countries that do not qualify as developed or advanced countries. They can be divided in different regions: Central- and Eastern Europe, developing Asia, Commonwealth of Independent States, Latin America and the Caribbean, Middle East and North Africa, and sub-Saharan Africa. It should also be noted that 85 per cent of the total world population lives in developing countries. Common for these countries are their low GDP, large poverty, and large net debt (IMF, 2012). Another way of defining developing countries is the Human Development Index (HDI) which combines life expectancy, health, education and living standard (UNDP, 2012). In developing countries, the HDI is generally very low compared to developed countries. The lowest HDI index is found in sub-Saharan Africa where average life expectancy is 54.4 years (UNDP, 2012).

4 CASE STUDIES

This section presents a background of the pharmaceutical industry and descriptions of the two companies chosen, AstraZeneca and Pfizer, where emphasis is put on their CSR activities in developing countries.

4.1 The Pharmaceutical Industry

4.1.1 Historical development

The modern pharmaceutical industry began in the late 19th century, when several of the large pharmaceutical companies of today were founded (Oger, 2009). This was partly due to social, cultural and technological improvements such as the encouragement of universities to perform more research in their facilities. These changes were essential for the further development of pharmacy (Britannica, 2012).

In the early 20th century more pharmaceutical companies were founded and the great importance of R&D for new medicines was acknowledged by politicians as well as by the public at large. Even though large companies like Merck and Novartis already had been founded, the major growth in the industry did not occur until post-World War II (Swann, 2009). At this point in time, pharmaceutical companies expanded across borders. In the 1960s and 1970s continued growth and defective medicines, with severe side effects, led to stricter laws and regulations. This forced the industry to perform several clinical trials of new medicines before release to customers (Swann, 2009). One result of the new laws and regulations was that many pharmaceuticals globalized in order to survive increasing costs (Britannica, 2012). The 1980s evolved into a challenging time due to increased competition as well as the emergence of HIV/AIDS and its need for medical treatment. The 1990s were a time of mergers and acquisitions and resulted in a more concentrated and capital-intensive industry (Swann, 2009). In the 2000s many pharmaceutical companies began to outsource parts of the medical development process, which took place in both developed and developing countries. Nowadays, most pharmaceuticals are headquartered in Europe and North America, although most of them still have R&D, manufacturing and sales facilities in several countries worldwide (Britannica, 2012).

4.1.2 Competition

The global pharmaceutical industry is dominated by the 20 largest companies. Based on revenues in 2010, the largest one is Pfizer with total revenues of \$59 billion and as number six

AstraZeneca, with total revenues of \$33 billion (Roth, 2011). The large pharmaceutical companies have wide activities including R&D, manufacturing and distribution of medicines. There are also smaller companies competing in the market, but they are usually niched towards one segment or product area. Other important players in the pharmaceutical industry are the generic medicine companies. These companies do not have their own R&D but instead wait to provide medicines when the patent rights, that are valid for 17-20 years, of other companies' medicines have expired. They market medicines with the same content as before but under different names. Most of the global pharmaceutical companies provide both non-generic and generic medicines (Britannica, 2012).

The pharmaceutical industry is very competitive, and especially among the large global companies. There is also an increased competition between pharmaceutical companies and providers of generic medicines. Pharmaceutical companies have invested a great amount in R&D and can lose most of its market-share after their patent rights have expired. Furthermore, there is also competition from smaller and medium sized firms competing in certain segments or with special products.

There are several stakeholders in this industry and they have an impact on each other. Patients or customers are depending on the actions and products provided by pharmaceutical companies. However, consumers can pressure the companies by not buying their products but instead obtain them from competitors. Regulators and governments have a great impact on the industry. They might regulate the industry even more through requirements of more thorough clinical trials and request higher safety and quality standards, which will increase costs and time for developing new medicines (Britannica, 2012).

Due to the nature of medicines and the severe effects they might have, the industry is heavily regulated on both national and international level. Many countries have put pressure on companies to lower their prices in order to make the medicines more available. Furthermore, the companies have to take into account what sort of medicines will be needed in the future. In some countries, like Japan, there is an aging population that will require certain medicines while developing countries are in need of other ones, such as vaccines (Oger, 2009). An important factor in a research industry is technology. Since technology always is in development, it is difficult to say what kind of knowledge will be needed and what facilities that will be required in the future (Oger, 2009). Furthermore, global pharmaceutical companies can have a great impact on employment in both host and home countries.

4.1.3 CSR in the pharmaceutical industry

What makes CSR in the pharmaceutical industry so different from other industries are the products provided. These products can improve quality of life and therefore the industry has a larger ethical responsibility than other industries (Nussbaum, 2009). Their responsibilities go beyond to just ‘do no harm’ and the industry is especially addressed in the millennium goals established by United Nations (Crouch & Maclean, 2011). Goal 6 concerns fighting serious diseases. In this matter, the pharmaceutical companies have a vital role to play. In goal 8, the pharmaceutical companies are specifically called upon to take their responsibility and ‘provide access to affordable, essential medicines in developing countries’ (United Nations, 2012). Obviously, these are large parts in the CSR activities of pharmaceutical companies and most of the global ones are already contributing to reaching the millennium goals. A common CSR activity in the industry is reduced prices on medicines in developing countries, especially for non-generic medicines. Other activities are donation of medicines, improved R&D for diseases common in poor regions and an extended production of medicines in developing countries, thereby increasing business activities and access to medicines (Crouch & Maclean, 2011).

4.2 AstraZeneca

4.2.1 Background

The pharmaceutical company AstraZeneca was created in 1999 as a result of a merger between Astra AB and Zeneca Group PLC (Astra Zeneca, 2012a). The company is headquartered in London, United Kingdom. It states that its mission is to improve patient health by providing and developing medicines and thereby creating value for shareholders and other stakeholders. The main work comprises researching, developing, manufacturing and providing medicines in six different areas: cancer, cardiovascular, gastrointestinal, infection, neuroscience, respiratory and inflammatory. The company wants to improve its R&D platform and sees potential for further strengthening of the pipeline by enhanced discovery and development capability in a greater scale and with a focus on selected areas and technologies. (Astra Zeneca, 2012b).

AstraZeneca is operating in more than 100 countries, including developing countries such as China, Brazil and Russia, and employing over 57 000 people worldwide. The company invests an average of 4 billion dollars in R&D every year and almost 15 000 employees work in this field (Astra Zeneca, 2012b).

4.2.2 Vision

AstraZeneca aims to provide efficient and affordable medicines to its paying customers. For its employees, the company wants to create a culture where the workers feel appreciated and rewarded. For the community in a wider perspective, AstraZeneca wants to be valued for its contribution of medicines to the society and with the combination of skills and resources the company wants to reach the goal of improved health (AstraZeneca, 2012c).

AstraZeneca believes that social media has an important role when communicating its vision. Nowadays, engaging in social media can be useful and AstraZeneca uses a variety of different social media, such as Twitter, Facebook, YouTube and LinkedIn (AstraZeneca, 2012d).

4.2.3 CSR activities

It is of importance to conduct a responsible business and to set the direction and identify what questions that is essential for AstraZeneca. How the stakeholders view the company's work is vital and to build trust and a good reputation is valuable to AstraZeneca. An important aspect of the CSR work is risk-minimization (Näsström, 2012).

AstraZeneca started its CSR work in the early 1970s, when an environmental executive, focusing on environmental issues, was hired. The direction of CSR has changed since and today it includes a broad range of different areas in both developed and developing countries. Since 2007, a CSR report is included as an important part of the annual report (Näsström, 2012).

When a project is investigated as a potential future activity, the basic investigation is done by the corporate responsibility department in collaboration with different organizations, that assist with suggestions and recommendations in the decision making process. The result of the investigation is reported to a responsible council, which reports directly to top management and board of directors (Näsström, 2012).

Important factors in the decision making process include risk management, the possibility of enhanced reputation and financial impact. Furthermore, it is also essential to set achievable goals that are preferably measurable in numbers. For example, the project must affect a certain number of people. AstraZeneca conduct the work in annual cycles and follow up quarterly. The company sees itself as no longer just performing charity but now viewing it in a business perspective aiming towards long-term sustainability (Näsström, 2012).

Developing countries are central for AstraZeneca, such as China, Russia, Brazil and Mexico and the company sees a great potential to grow in these areas. The company has an ‘access to healthcare’ vision and this is the most essential part of the CSR strategy in these countries. AstraZeneca has developed a pyramid and has divided its CSR work into four different layers (see figure 4). (1) Driving mainstream businesses aims towards a continued development of medicines and focus on people that can already afford medicines. This has a large impact on the overall business activities. With (2) broadening affordability AstraZeneca intends to increase the access to medicines by offering discounted medicines. (3) Strengthening healthcare capabilities means to improve and develop the healthcare system. The final layer is (4) collaborating globally, that enhances cooperation with NGOs to address the matter of threatening diseases in developing countries (Näsström, 2012).

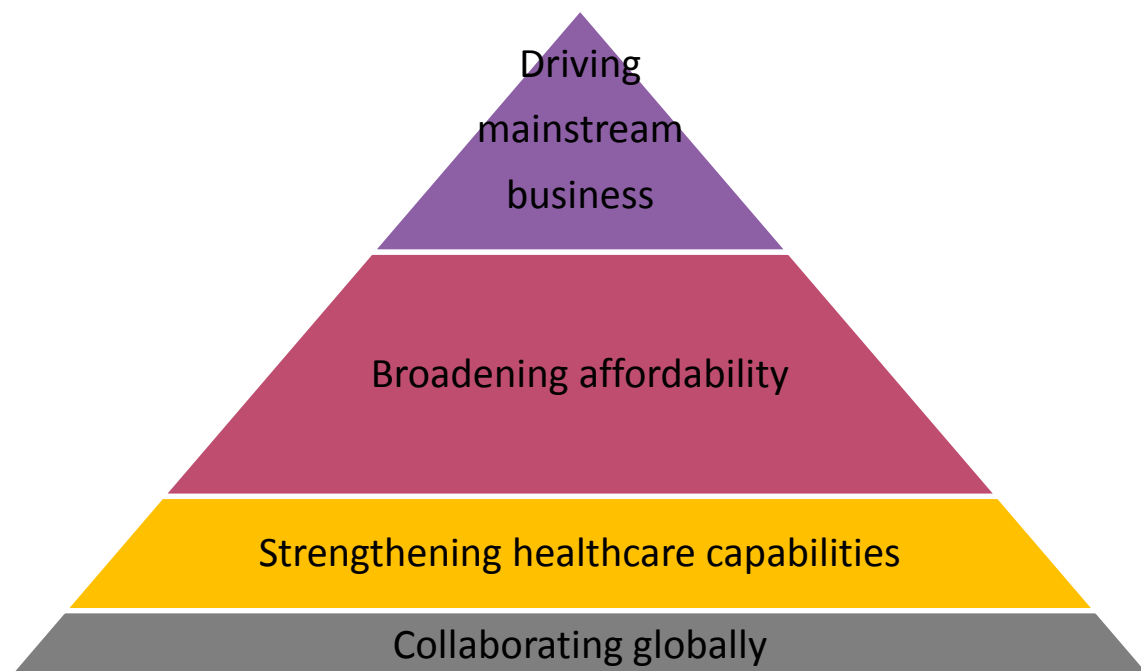


Figure 4: AstraZeneca’s strategy framework (AstraZeneca, 2012i)

Neglected tropical diseases

Neglected tropical diseases (NTDs), such as rabies and dengue fever, are major health issues globally and more than one billion people are suffering from them (WHO, 2012). Many of the countries that are affected are among the poorest in the world which makes NTDs a global health care challenge. The problem with NTDs has been overshadowed by other diseases such as HIV/AIDS and malaria, which have had a larger exposure in media. The pharmaceutical industry though has the possibility to meet the challenges posed by NTDs. AstraZeneca has agreed to join the ‘World intellectual property organization’ (WIPO) together with other

research-based companies. In order to share knowledge, resources and skills the company hopes to speed up the discovery and development of potential treatments for NTDs (AstraZeneca, 2011a).

Communicating diseases

Communicating diseases includes tuberculosis, malaria and HIV/AIDS. One of the biggest problems with the treatment for tuberculosis is that many patients stop the treatment before the infection is fully cured. This can lead to a relapse where the body rejects the medicines more easily. Another challenge is that tuberculosis in combination with HIV/AIDS is extremely dangerous and often a lethal combination. AstraZeneca has had a long-term partnership with the British Red Cross Society focusing on helping community-based programs. These programs aim to encourage people to seek help for an early diagnosis, improve patient compliance, provide care in the home, promote awareness and education and address the stigma associated with the diseases. AstraZeneca has been successful in both Asia and South Africa with its collaborations with the Red Cross, which contributes to its objective of strengthening healthcare capabilities and collaborating globally (AstraZeneca, 2010).

Non-communicating diseases

Non-communicating diseases (NCDs), such as diabetes, heart diseases and cancer, are among the most common causes of death in many countries. In India NCDs kill 2.3 million people every year compared to 2 million people that dies from tuberculosis, malaria and HIV/AIDS. The same pattern is occurring in for example Indonesia as well (AstraZeneca, 2011b).

Coming to terms with the problems of NCDs in the developing world is very complex. The healthcare system is often not adjusted and set-up to handle and care for chronic conditions. Other factors such as lifestyle-choices, like smoking, and high pollution are also reasons for a significant increase of NCDs in the developing world (AstraZeneca, 2011b).

AstraZeneca considers itself as a key player in the fight against NCDs. With the expertise and a portfolio with a wide range of medicines targeting these areas the company believes it can make a difference, along with other actors. A combined global effort, involving all the relevant stakeholders, can result in a progress reducing NCDs in developing countries (AstraZeneca, 2011b).

Faz Bem

AstraZeneca established its 'Faz Bem' (do well) programme in Brazil in 2008. The programme aims to provide discounted medicines to patients across all socio-economic

groups. The patients are provided with information from their doctors and receive discount on a range of medicines. A website supports the patients with information about diseases and treatments and by 2011, 100 000 patients had enrolled in the programme (AstraZeneca, 2012e). The Faz Bem programme is one way of improving AstraZeneca's objective of broadening affordability (Näsström, 2012).

Disaster Relief

When a natural disaster occurs, AstraZeneca provides disaster relief. This is done by cooperating with trustworthy organizations in order to quickly distribute medicines to the affected areas. In these situations it might be especially difficult to control the distribution process, therefore AstraZeneca is careful when choosing cooperative organizations (Näsström, 2012).

4.2.4 Pricing and Partnerships

In line with its strategy and vision, AstraZeneca has a global price policy, providing a framework to ensure patient access but still optimizing the profitability of the products in a sustainable way. The company has a flexible approach to the pricing and support a differential pricing way (AstraZeneca, 2012f).

AstraZeneca has the strategy of partnering with others to help strengthen its frameworks and most of the CSR work is done in close cooperation with local partners. The controlling activities are up to the partner organizations, therefore trust is essential in these partner alliances. However, employees from AstraZeneca visit the different projects in order to assess how the projects run along. In some areas, such as India and Brazil, there are local employees that run and control the projects. The cooperation with local governments is in many cases incomplete due to the fact that governments do not always act in the best interest of the inhabitants but see it as an easy way to collect resources. They take advantage of the resources provided but do not give anything back in return. However, AstraZeneca desires to improve the collaborations with local governments (Näsström, 2012).

One example of a successful partnership is with the African Medical and Research Foundation (AMREF). This partnership focuses on strengthening the healthcare system and integrating the management of tuberculosis, malaria and HIV/AIDS in Uganda, a region that suffers from all three diseases. With the support from AstraZeneca, AMREF has worked with the Ministry of Health in Uganda to develop models for integration and provide frameworks for efficient and effective healthcare. AMREF is mainly focusing on poor and remote areas of

Uganda, with extra focus on women and children. So far, over 1.4 million people have been recorded in the system (AstraZeneca, 2012h).

4.2.5 Strategy of CSR

It is difficult to measure the impact of CSR. AstraZeneca strives to view their CSR activities in a more financial perspective in the long run. By entering developing countries, the company wants to distinguish a market with the potential of charging for medicines in the future. To attract investors, it is essential to create a win-win situation that can result in financial benefits in the long run. To be able to maintain a competitive position, it is important to identify the needs in different markets (Näsström, 2012).

The response to the CSR activities depends on how well AstraZeneca identifies the expectations from the stakeholders. AstraZeneca believes that it sometimes has received more criticism than other companies due to the lack of communicating its activities. The company needs to improve the communication and develop a clear strategy in the future (Näsström, 2012).

Since AstraZeneca is depending largely on partnerships, that is also where the potential risks lie. Conflicts and corruption can be threatening but it is currently up to the partners to solve these issues (Näsström, 2012).

4.3 Pfizer

4.3.1 Background

Pfizer, one of the leading global pharmaceutical companies in the world, was founded in the United States in 1849. Its first product was antiparasitic medicine used to treat intestinal worms, a common disease in the 19th century. The increasing demand of painkillers and disinfectants led to the introduction of morphine and chloroform during the civil war (Pfizer, 2012a).

In the 1880s, Pfizer started to manufacture citric acid. The company soon became the leading producer of this, due to an increase of the popular drinks, Coca-Cola, Dr Pepper and Pepsi-Cola, where citric acid was one of the components. In the end of the 19th century, Pfizer was a leader in the American chemical industry, with a portfolio including a wide array of industrial and pharmaceutical products (Pfizer, 2012a).

The discovering of penicillin and Pfizer's successful technique for manufacturing it was a turning point for human history since this was the first real defense towards bacterial infections. During World War II, Pfizer managed to produce five times more than anticipated and became the world's largest producer of penicillin (Pfizer, 2012b).

In the 1950s, Pfizer embarked on a large international expansion and established operations in Europe and South America. While other companies kept their employees on a short leash, Pfizer delegated much of the responsibility to local operations. In the 1980s, Pfizer introduced medicines for diabetes and hypertension. The company continued in the 1990s to launch Diflucan, an antifungal, Zoloft, for depression, and Zithromax, for skin infections (Pfizer, 2012c).

In 1993, Pfizer founded 'Sharing the Care', a drug-donation programme that provided medicine to more than one million people with low-income or uninsured patients throughout the United States. In 1998, Pfizer introduced Viagra on the market, a breakthrough for erectile dysfunction. Celebrating 150 years in 1999, Pfizer was named 'Company of the year' by Forbes magazine (Pfizer, 2012c). In the early 2000s, Pfizer merged with Pharmacia, creating a union with the two fastest growing, valuable and innovative pharmaceutical companies on the market.

Pfizer has during the last years taken a new step towards biomedical research, creating two distinct research organizations; The 'PharmaTherapeutics Research & Development Group', which focuses on the discovery of small molecules medicines, and 'The BioTherapeutics Research & Development Group', which focuses on large molecule medicines, for example vaccines. The company has also created a commercial structure with nine diverse health care businesses; primary care, specialty care, oncology, developing countries, established products, consumer healthcare, nutrition, animal health and capsugel. All businesses are provided with resources to pursue attractive growth opportunities (Pfizer, 2012e).

The company continued and launched the 'Global Regenerative Medicine Unit', which dedicated itself to understanding the biology of stem cells and the opportunity these can provide. With the acquisition of the American company Wyeth, Pfizer created a company with a broad range of products (Pfizer, 2012d).

4.3.2 Vision

In 2001, Pfizer's CEO stated that the company wanted to become the 'world's most valuable company to patients, customers, colleagues, investors, business partners and the community where we work and live'. Pfizer announced a commitment to fund the building of a regional treatment and training center in Uganda, as part of the Academic Alliance for AIDS Care and Prevention (Pfizer, 2012d).

4.3.3 CSR Activities

The overall aim of Pfizer's CSR activities is to improve and contribute to global health, which the company believes it can do. CSR according to Pfizer includes more than just performing philanthropy and charity. It is everything apart from the research, manufacturing and sales of medicines. The CSR activities include both local and global efforts (Mattson, 2012).

In the 1990s and 2000s, when localizing the needs in developing countries the companies in general proceeded according to their own western perspective. It was an unequal relationship between western companies, such as Pfizer, and developing countries where the western companies thought they knew best on how to conduct CSR. Today it is more equal interaction where the developing countries themselves see the need in their own countries. The western companies are paying more respect and show more understanding towards developing countries' needs when supporting and contributing with medicines, knowledge and technology (Mattson, 2012).

Pfizer focuses on long-term projects instead of engaging itself in minor and short-term activities. The decision process of what projects to support is bureaucratic, formal and centralized. From proposal to decision regarding a project there is usually a time-span of six months. There are a number of criteria that have to be fulfilled before a project is even considered to be launched. The Pfizer Foundation in New York makes all decisions regarding international projects while decisions regarding local projects can be taken in each location. Most of the CSR activities in developing countries are performed in close cooperation with local organizations and partners (Mattson, 2012).

With its commitment to improve health for low-income Americans, Pfizer introduced 'The Pfizer For Living Share Care Program' in 2002. It provided the low-income with access to a 30-day supply of any medicine for a rate of \$15 per prescription. In April 2004, more than five million prescriptions had been filled. The Pfizer foundation also launched a three-year

initiative to support training and capacity building for HIV/AIDS in developing countries (Pfizer, 2012d).

Pfizer's president for vaccines stated that 'Pfizer is committed to working with the global health community to accelerate global access to its vaccines in the world's poorest countries on an affordable and sustainable basis'. As a step to fulfill this, Pfizer has pledged to supply up to 480 million doses of pneumococcal conjugate vaccine by the year of 2023 to infants and young children in poor countries, with a high risk of dying from this disease, through a program called 'Advance Market Commitment'. It is a private health-care programme designed to create a sustainable marketplace and ensure an affordable supply of vaccines at a discounted price (Pfizer, 2012f).

Pfizer presented its vaccine into the 'Childhood Immunization Program' of developing countries less than a year from the launch in the United States and Europe, although the average time is between ten and fifteen years when introducing new vaccines in developing markets. One key component of Pfizer's commitment towards a global healthcare access is to work through private and public partnerships (Pfizer, 2012f).

Pfizer has especially engaged in three different areas: trachoma, malaria and HIV/AIDS.

Trachoma

Pfizer has worked to help end suffering caused by the infectious eye disease Trachoma. The disease is spread through physical contact and can cause blindness. Pfizer has partnered with WHO and the 'International Trachoma Initiative' (ITI), the later an independent non-profit organization working towards eliminating Trachoma. Pfizer has donated more than 225 million treatments in nineteen countries, as of September 2011. Three countries where ITI have been successful in reducing the disease are Ghana, Gambia and Vietnam (Pfizer, 2012g).

Malaria

Malaria is a large threat for almost half of the world's population, especially on the African continent. Pfizer has dedicated itself to a platform of innovative, socially responsible and commercially viable activities to help people exposed to malaria in Sub-Saharan Africa. The platform consists of several core elements (Pfizer, 2012h).

Manufacturing and delivering effective anti-malaria treatment in Africa is one element. Pfizer has historically an existing portfolio of malaria treatments. To deliver these medicines, the company has positioned itself on the African continent with a manufacturing facility in

Senegal. This has given the company an opportunity to both manufacture and deliver medicines (Pfizer, 2012h).

Another core element is to invest in R&D to develop urgently needed medicines. Even though malaria medicines have progressed, it is always a necessity for further development. Pfizer has seen a need for new treatments for pregnant women and has collaborated with public and private organizations to conduct research agreements, a necessity for overcoming the health challenges of developing countries (Pfizer, 2012h).

Engaging and educating treatment providers and patients to improve the prompt and effective treatment for malaria is another element. Pfizer has partnered with NGOs to find interventions that improve the utilization and effectiveness of malaria medicines. Since 2007, when the ‘Mobilize Against Malaria’ was launched, it has focused on improving access to effective treatment and preventing the spread of malaria through for example education and awareness (Pfizer, 2012h).

Three countries were specifically addressed; Ghana, Senegal and Kenya. In each of these countries, Pfizer provides support to leading NGOs to implement and evaluate effective malaria interventions. Working with partners on the ground, Pfizer is able to treat, teach, build and serve communities that are affected by malaria (Pfizer, 2012i).

HIV/AIDS

Pfizer has developed the ‘Infectious Disease Institute’ to target Africa regarding HIV/AIDS, tuberculosis and other infectious diseases. The goal is to build capacity of health care systems in Africa to deliver sustainable care and prevention of these diseases through training, research and clinical services. Pfizer has supported a medical training and research center in Uganda to provide local workers with skills and resources to use in the communities. The project has provided care and treatment to over 30 000 patients and trained more than 6 500 health workers (Pfizer, 2012j).

Pfizer has also engaged itself in the ‘Diflucan partnership’, with the mission to provide the medicine Diflucan to help treat fungal infections associated with HIV/AIDS. This has been offered free of charge to governments and NGOs in countries with greater than 1 per cent of HIV/AIDS prevalence. The goal has been to provide treatment in developing countries and the program is active in Africa, Asia, the Caribbean and Latin America. Since the start in 2000, Pfizer has provided over 1.2 billion dollars’ worth in medicine and has also donated

program materials to help improve management distribution. By December, 2010, South Africa reached ten years of successful implementation of the programme, having distributed over 35 million Diflucan treatments to more than 700 health care facilities (Pfizer, 2012k).

In 2004, the 'Infectious Disease Institute' opened in Uganda, providing training and treatment for HIV/AIDS. A couple of years later, in 2007, Pfizer launched Selzentry, a new type of oral HIV/AIDS medicine (Pfizer, 2012d).

Global Health Fellows

The Global Health Fellows Program is a volunteer program that sends co-workers and teams in short-term assignments to key markets. During these assignments, Pfizer workers can share their knowledge and expertise. The assignments also aim at optimizing the supply chains and business functions (Pfizer, 2012l).

4.3.4 Strategy of CSR

Pfizer sees its CSR work as a long-term investment where the CSR activities of today can build potential future markets. It is not plausible to charge for the medicines in developing countries, but it might be possible in the future. Pfizer also works towards educating people in the medical industry, which in the long run can benefit Pfizer when selling its products. One future potential market is developing countries in Asia, where Pfizer sees the possibility to charge fully for the medicines in 20-30 years from now. It is also important to conduct CSR to make employees feel pride for the company they work for and to improve the brand image. Additionally, performing CSR can improve the relationship with external decision makers, such as governments and NGOs. Since all companies in the industry perform CSR, it is impossible for Pfizer to not perform it as well (Mattson, 2012).

Pfizer and the cooperative organizations put a lot of effort in controlling and evaluating the activities. It can be difficult to control but it is important to make sure that medicine donations reach the right target group without disappearing into corruption or the illegal market. Most of the controlling takes place in each local market (Mattson, 2012).

Pfizer receives mostly positive response of its CSR activities and those are well communicated in the western world. The activities are very appreciated in developing countries, especially since management and employees visit the projects and meet people affected by these. Looking at the development of CSR in a future perspective, Pfizer believes that CSR should be communicated as one of the core business principles and be looked at in

an economic perspective as a part of the business strategy. It is important to see how it can add value, strengthen the brand and increase profits (Mattson, 2012).

5 ANALYSIS

This section further examines the CSR activities of AstraZeneca and Pfizer. The analysis is based on findings and assumptions, and presented through the use of a PESTLE-analysis and the CSR-pyramid.

5.1 PESTLE-analysis in developing countries

The PESTLE-analysis has been chosen in order to describe and understand how the external environment currently impacts the CSR activities of AstraZeneca and Pfizer in developing countries and how they deal with it. By using this method it is possible to understand the opportunities and challenges they face when operating in these markets and it will be a useful tool when trying to grasp why and how these companies dedicate so much resources in CSR activities.

5.1.1 Political

When operating in developing countries, there are many political scenarios that AstraZeneca and Pfizer could face. Many of these countries are suffering from political instability in the form of regimes, corruption and armed conflicts. This results in problems for the companies to establish their CSR activities. There is an uncertainty, when not being able to predict future laws and regulations, if the activities can continue to be present. For AstraZeneca and Pfizer, it is essential to be adaptable to constant changes, which creates a great challenge when working in these unstable areas.

The governments in many developing countries lack the resources and knowledge to create a better society and therefore it is important for companies such as AstraZeneca and Pfizer to participate and support with both resources and knowledge. Since many developing countries still have undemocratic regimes, or similar governance, this can affect the companies negatively since they depend upon the decision of an unpredictable leader. Corruption is also an aspect that the companies have to keep in mind. They need to have a strict control to make sure the resources they bring into the country do not disappear in governmental pockets. Pfizer is putting a lot of resources into controlling this and is well aware of the possible threat it brings. In the case of AstraZeneca, the company has concluded that local organizations have more knowledge about the political environment and therefore are more suitable to act in these situations. AstraZeneca is well aware of the difficulties of interaction with local governments in these countries and how the objectives might be different. There can be a

large risk to cooperate with local governments since resources might disappear in corruption and end up in the illegal market. Hence, the company rather cooperates with trustable NGOs than with local governments, in many countries.

Armed conflicts can cause problems when trying to reach areas where the need for CSR activities is high. These conflicts may avert all kinds of activities. It can be hard for AstraZeneca and Pfizer to recruit employees of their own to work in these areas as well as other organizations due to the political insecurity. Kidnapping of international citizens has occurred in several developing countries. In Uganda, for example, there have been armed conflicts that have injured both local and international citizens. Since Uganda is one of the project areas for both AstraZeneca and Pfizer, it is of great importance to have preparations for these situations.

5.1.2 Economic

The most imminent economic issue in developing countries is poverty and the large differences in living standard. This could be one of the effects from corruption, which both AstraZeneca and Pfizer acknowledge as an issue. Many countries are also suffering from high inflation. This can result in problems to stay competitive and plan future activities. The slow GDP growth is a problem when the companies are working towards a situation where they can reduce their CSR activities and instead see a potential market. However, the purchasing power is low which have to be taken into consideration when operating in these areas. Both AstraZeneca and Pfizer have understood the differences among developing countries. In Brazil, there are projects for discounted medicine since poverty is not as extreme as in sub-Saharan Africa. In sub-Saharan Africa the majority of the medicines are given away for free. As a response to this, AstraZeneca and Pfizer have started to charge for their medicines in countries where it is possible, such as in Brazil and India.

Recessions in the global economy are affecting both the developed and developing countries negatively. This means the poor countries are becoming poorer, which can result in more people depending on contributions from companies such as AstraZeneca and Pfizer. This could create difficulties in how to distribute the help.

Low production costs are assumed, which is an advantage for the companies. An increasing inflation can result in higher production costs which might result in problems to maintain the same level of production.

5.1.3 Socio-cultural

Developing countries can differ in their religious, social and every-day life views. Dealing with these issues and different ethnicities can be difficult for the companies. The level of knowledge in the local official language is essential to be able to communicate with local inhabitants. For example, in Africa it might be very useful to have knowledge in French and English, while in Latin America it is necessary to speak Portuguese or Spanish. In areas where the language barrier is low, AstraZeneca and Pfizer might experience it as easier when conducting their activities.

The knowledge of health issues can also differ. In Africa, the knowledge and information of HIV/AIDS might be insufficient, despite that it is a big health issue. Many of the problems with diseases in developing countries could be easily treated if the right medicines were provided in an early stage. Since health issues in Africa are very serious and wide spread this might be the reason why AstraZeneca and Pfizer put so much focus on the African continent.

Since inequality can be considered a problem in developing countries, it is important to make sure that both men and women can take advantage of medicines and other resources distributed through AstraZeneca and Pfizer's activities. Regarding inequalities it can be assumed that women are more vulnerable than men and this can make the need for help even bigger among women. AstraZeneca has taken this into account and is trying to address this through, for example, the AMREF project in Uganda, which aims towards women and children.

Lack of infrastructure in developing countries might be a problem since many poor villages and townships are isolated. It is important to identify these groups in order to provide help and resources. Uganda, a country suffering from high numbers of HIV/AIDS patients, is one example where many people live isolated in poor villages, where the help is very much needed. This is something that AstraZeneca and Pfizer have to take into consideration when planning activities and programmes.

Low literacy rate can cause problems and these groups can have problems utilizing the information provided about help available. Therefore, it is essential for AstraZeneca and Pfizer to communicate their activities in a way that reaches as many people as possible. This can be another reason for the cooperation with local organizations, since it might be easier for them to interact with the local inhabitants.

In developing countries the educational level can be rather low. Pfizer has recognized this by helping with education of healthcare professionals, and not just deliver medicine, in order to improve the treatment of for example malaria.

In areas, where help is most needed, the crime rate can be rather high. This might make it difficult for AstraZeneca and Pfizer to perform their activities and still manage to stay safe. By cooperating with local organizations, both AstraZeneca and Pfizer use local workers that have a better knowledge of the environment and therefore might be able to avoid risky situations.

5.1.4 Technological

Technology is an important factor and infrastructure, for example, is of great importance both when distributing resources and transporting patients. Uganda is an example where it can be assumed that the infrastructure is not fully developed and that requires alternative ways of transportation. Lack of modern technology might be a challenge when managing facilities and storing medicines. To maintain the quality of medicines, it is essential that they are handled in an accurate way, and are, for example, stored in cold spaces. If production is conducted locally, it has to be assured that sanitary conditions are fulfilled. If these aspects fail it can lead to consequences, such as defected medicine.

AstraZeneca and Pfizer can work towards a more advanced high-tech industry in the development of R&D centres and/or share their technological knowledge. Furthermore, technology can be a tool when measuring, maintaining and keeping track of resources.

Both AstraZeneca and Pfizer are cooperating with local organizations. A reason for this could be to make their activities more visible and accessible since the lack of internet and telecommunicating system makes it more difficult to enlighten the local inhabitants about their activities. However, in Brazil the development has rapidly increased the use of internet. AstraZeneca has observed this and launched a website about diseases and treatments in order to improve the health of young people.

5.1.5 Legal

The legal framework in these countries is not as developed as in other parts of the world. There is not the same pressure on governments to help improve living conditions and AstraZeneca and Pfizer therefore have the possibility to contribute in improving life quality. The lack of legal infrastructure affects the situation on the market which in many cases can

make the market quite unrestrained. This can lead to medicines disappearing and being sold on the illegal market or being exported out of the country instead of reaching the CSR activities. Therefore it can be difficult for AstraZeneca and Pfizer when cooperating with different local organizations and know who to trust with their resources.

Another aspect that AstraZeneca and Pfizer have to take into consideration is the issue of fake medicines produced. This problem is especially present in developing countries and the companies have to make sure that their medicines are not replaced with fake ones. Furthermore, it is also essential to provide safe medicines and to comply with both local and international safety standards.

Due to their size, there is a possibility that AstraZeneca and Pfizer can contribute to an improved legal framework regarding health care and medicines. This requires a closer cooperation with local governments in order to influence legislators. However, an interest in influencing the political and legal framework might not be something the companies are considering if they want to avoid a political role.

5.1.6 Environmental

Lack of environmental protection in developing countries can cause many serious diseases, for example caused by polluted water. Many of these diseases might be treatable with the right medicines provided, which can be offered by AstraZeneca and Pfizer. It can be assumed that many of the developing countries lack in resources to reduce degradation of the environment. Since AstraZeneca and Pfizer engage in R&D in some developing countries it is important that they act environmentally friendly. Since they are large global companies they can set an example by doing this.

Natural disasters, such as drought, flooding and earth quakes, are common in many of these countries. These sudden and severe events require the help from developed countries. When disasters occur it can take a long time for the countries to rebuild and recover. Along with natural disasters a lot of diseases are spread. AstraZeneca and Pfizer have the potential to help out, not just in the aftermath of a disaster by providing medicines but also to hurry up the process of educational centres and research facilities. AstraZeneca has a well-established model to quickly be able to respond when a natural disaster has occurred, since quick aid is essential. By working with local organizations the company can quickly reach the affected areas and distribute resources.

5.2 The CSR Pyramid

The CSR pyramid has been chosen in order to describe and analyze the CSR activities of AstraZeneca and Pfizer in developing countries. The pyramid is useful as it discusses four different responsibilities of CSR activities which include economic, philanthropic, legal and ethical responsibilities. The pyramid can help to give an overview of CSR in the different dimensions and how the companies take responsibility towards stakeholders.

Visser's CSR pyramid, which is revised from the original one by Carroll, is used when analyzing the CSR activities of AstraZeneca and Pfizer in developing countries. The reason for choosing Visser's model over Carroll's is that Visser's model is more up-to-date and focuses on developing countries especially.

5.2.1 AstraZeneca

From an economic perspective, AstraZeneca is performing its core business activity which is R&D and distribution of medicines and is thereby taking its economic responsibility. By trying to improve the health care system and intensify the cooperation with health care professionals AstraZeneca can help to increase employment. When establishing presence in developing countries, it can prove to other companies that it is a good opportunity to invest in these countries. This can lead to a number of positive side-effects in the long run such as job creation, improved technology and infrastructure, and higher living standards.

Philanthropic perspectives of AstraZeneca's work can be seen through disaster relief. In the event of a catastrophe AstraZeneca is quick to distribute medicines in affected areas. This is in line with a philanthropic approach. When a situation like this occurs, the distribution has to proceed rapidly and the business principle has to be put aside. Another philanthropic effort is AstraZeneca's engagement in the fight against HIV/AIDS, especially in Africa. Areas, such as Uganda, are underdeveloped and poor and the need for help is large. Sometimes, the only chance for treatment is through philanthropic projects, since the Ugandans rarely can afford to pay for medicines. The AMREF programme, in Uganda, engages to target groups that are especially in need of medicines treating HIV/AIDS, malaria and tuberculosis. The programme aims to provide medicines without charge and thereby improve life quality and is an example of how AstraZeneca conducts its philanthropic responsibility.

The choice of partner organizations is crucial when considering the legal perspectives. AstraZeneca claims to put time and effort into choosing law abiding partners. Since the local

organizations are assumed to have a better knowledge of domestic laws, AstraZeneca leaves the legal responsibility to the partners. This also includes local organizations to observe human rights.

Ethical perspectives of AstraZeneca's work is its transparency towards stakeholders with annual open reports concerning their CSR activities. On its website, the company discloses information regarding the different projects in developing countries. AstraZeneca is advocating a global price policy, to offer a greater availability of its products. In Brazil this is done through the 'Faz Bem' programme, when providing medicines at a discounted price. Partnering with local organizations also needs to be viewed from an ethical perspective. AstraZeneca has to make sure that the resources actually reach the right target and does so by carefully choosing partners with appropriate governance, and to some degree sending employees to evaluate the results of the efforts. Overall it is an ethical responsibility to help underprivileged people, especially in developing countries.

5.2.2 Pfizer

The economic perspective is fundamental for all Pfizer's activities in developing countries. The main economic responsibility is fulfilled by providing medicines and products that the society needs, to be able to make a profit and fulfill its business objectives. Pfizer, being one of the largest pharmaceutical companies in the world, has managed with this objective. By its presence in developing countries, Pfizer can help to improve the system to increase the eligibility for poor people to find an adequate job. When cooperating with local organizations, Pfizer also helps stimulating local businesses which also is a way of taking economic responsibility.

The philanthropic perspective aims to improve life quality and perform actions not required but desired. For a company like Pfizer, this can be the key factor that can make the difference between life and death for many people in developing countries. Pfizer takes its philanthropic responsibility by performing voluntary activities and charity events. Pfizer has given away free medicines in several different projects, such as 'Mobilize Against Malaria' in Africa and in the project towards eliminating the Trachoma eye disease. Furthermore, Pfizer has also engaged in the role as educator. This is not among its core business activities but instead an effort to improve life quality in the long-run in these countries. Of course this might be positive for Pfizer in the future, but at this point it can be considered a more philanthropic approach.

Regarding legal responsibilities, Pfizer is putting a lot of effort in controlling that the medicines are reaching the right people. Since there is usually less legal framework in developing countries there are few guidelines that have to be followed regarding CSR activities. Pfizer still takes legal responsibility by cooperating with acknowledged organizations, such as the WHO, in for example the Trachoma initiative. Corruption is a possible threat for future activities and so is the increasing illegal market of medicines in these countries. Pfizer is fully aware of these problems and one of its actions to prevent corruption is a close cooperation with local organizations that help controlling these issues. Pfizer staff members, placed on the local markets, are also contributing to taking a legal responsibility by assuring that the activities are performed in the desired way.

Ethical responsibilities concern doing right and doing what is expected from others. Since Pfizer have medicines and a cure for many life-threatening diseases people expect them to act in a certain way. It could be hard for Pfizer to find a balance between meeting the expectations from both the shareholders and the public. With the 'Advanced Market Commitment'-programme, Pfizer wants to create a market place that ensures that vaccines are being offered at a reasonable price. This indicates that Pfizer has been able to create that balance by introducing the programme and still be able to charge for vaccines. With the infectious disease institute, Pfizer shows ethical balance, by providing medical training and research centres in Uganda for treatment of HIV and tuberculosis.

It can be noted that most of the CSR by both AstraZeneca and Pfizer in developing countries are performed in sub-Saharan Africa. This can be explained by the fact that it is a larger focus on health issues in Africa than in the other areas. Both companies have put more emphasis on CSR in this area than in others, since Africa probably is where the companies can help the most.

6 CONCLUSIONS AND SUGGESTIONS

This section presents conclusions based on the findings in the case studies and the analysis. This is followed by suggestions for AstraZeneca and Pfizer.

6.1 Conclusion

The purpose of this thesis was to get a better understanding of why and how pharmaceutical companies perform their CSR activities, with the focus on developing countries. Based on the case studies and analysis several conclusions can be made.

Why do pharmaceutical companies perform CSR in developing countries?

CSR is nowadays included in AstraZeneca and Pfizer's core business principles. It is of such great importance that it is incorporated in official reporting. CSR has developed from being just philanthropy to a conscious choice with the aim of establishing in future markets. AstraZeneca and Pfizer might be donating medicines today, but in the future the companies have the desire to charge for the medicines in developing countries.

Secondly, this is an industry facing a lot of pressure to help fight severe diseases, such as malaria and HIV/AIDS. More or less all pharmaceutical companies are performing extensive CSR activities in developing countries which lead to a situation where no companies can afford to stand on the side. CSR can therefore be an efficient way for pharmaceutical companies to improve their reputation. The pharmaceutical companies have a great ability to help and benefit underprivileged people in developing countries, but at the same time the companies have to maximize profits and take responsibility towards their shareholders. It might be easy for a regular consumer to demand more social responsibility from the companies, but at the same time it is important to understand the great effort that AstraZeneca and Pfizer put into R&D when producing medicines. The companies have to have enough incentives to maintain their core business.

There are several reasons for pharmaceutical companies to perform CSR. However, it has to be taken into consideration that AstraZeneca and Pfizer are for-profit organizations with a responsibility towards shareholders. For this reason it is not only about performing good and contributing to global health but also to make profit.

How do pharmaceutical companies perform CSR in developing countries?

It can also be concluded that the main focus of CSR activities in the pharmaceutical industry is put in Africa. This is not surprising since this part of the world suffers from severe health issues. Hence, Africa might be the area where AstraZeneca and Pfizer can make most difference. Most of the CSR activities in Africa aim towards treating communicating and non-communicating diseases along with neglected tropical diseases.

Another conclusion is the lack of cooperation with local governments. The majority of all collaboration is performed together with NGOs. Both AstraZeneca and Pfizer claim to be satisfied with these partnerships and prefer them over cooperating with governments. However, both companies agree on that the cooperation with local governments needs to improve to make the CSR activities more effective.

When controlling their activities, both AstraZeneca and Pfizer rely on partnerships. It could be considered surprising that they spend large amounts of resources on CSR but then leave most of the responsibility to their partners. A great amount of trust is given to these partners and the companies own control take place when choosing partners and by occasional visits. It can be wondered how the companies would respond to negative attention i.e. would AstraZeneca and Pfizer take full responsibility or partially blame partner organizations.

Furthermore, it can be concluded that both companies need to improve their communication regarding CSR. They express the lack of reaching stakeholders when passing on information. It is not just a necessity of communicating what they do and how they do it but to further promote it in a business perspective and how it in the future can benefit the company.

6.2 Suggestions

AstraZeneca and Pfizer engage in CSR activities in, according to us, a responsible way. However, there are areas that can be evolved and some suggestions are given.

First, we believe that including CSR activities in their business principles and annual reports is beneficial for the companies. This is something the companies should continue to do and if possible integrate even further. However, the communication of their activities needs to be clearer. This can be done through an even greater disclosure of information regarding CSR in their annual reports.

Cooperating with different organizations is a good way for AstraZeneca and Pfizer to access developing markets. Currently most of the cooperation is carried out through NGOs, but we believe it could be beneficial to improve the collaboration with local governments. This can of course be difficult but is necessary when trying to reach the full potential of their CSR activities. One possible tool to do this might be to increase the presence of the own employees in these countries to build trust and long lasting relationships.

We have understood how difficult AstraZeneca and Pfizer experience the controlling of the CSR activities in the developing countries. As for now, most of the control is performed by the local organizations they cooperate with. This could also be improved by increased presence of representatives from the companies in the local areas. By doing this, the employees from AstraZeneca and Pfizer can report directly to the headquarters and make sure the resources are used as intended.

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APPENDIX 1

Interview guide

Fundamental idea of CSR

1. What is the purpose of performing CSR in your company?
2. When did you start perform CSR in your company and how has it developed since then?
3. What CSR activities do you perform in developing countries?
4. How do you find these important?

Decision making process

5. Who makes the decisions regarding CSR in developing countries?
6. How is the decision making process for CSR activities in developing countries? What are the most important factors when deciding?
7. How is the management organized? Is there any local staff working in CSR activities?
8. How do you cooperate with local organizations, such as NGOs and governments?
9. How do you control and evaluate the CSR activities?

Value creation

10. How does CSR add value to your company?
11. Is CSR necessary in order to stay competitive?
12. What response have you experienced regarding your CSR activities in developing countries?
13. What is the future development of your CSR activities in developing countries? New projects and/or improvements?
14. Do you see any potential threats for your CSR activities in developing countries? If so, how do you deal with these?