

CORPORATE SOCIAL RESPONSIBILITY WITHIN THE  
PHARMACEUTICAL INDUSTRY

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## **ABSTRACT**

The pharmaceutical industry has a unique dual role within society in that the companies within the industry develop and distribute health care products in a for-profit manner. Safety and ethical concerns have resulted in an industry that is one of the most highly regulated globally. Controversies have developed around perceived conflicts of interest emerging from this dual role due to the industry's size, influence, and primary responsibility to society as a developer and provider of innovative medicines. While public awareness of these controversies has grown, so have global concerns regarding the financial, social, and medical health of individuals. Even as the industry faces persistent and increasing criticism for improperly managing the social responsibilities attributed to its dual role, the industry has increasingly engaged in CSR activities. Presently, companies in the pharmaceutical industry are under pressure to be even more comprehensive and strategic in their approaches to CSR engagement.

The purpose of this study was to examine practices and perceptions of CSR within the pharmaceutical industry. Specifically, the study sought to gain an understanding of the perceptions of middle and senior managers of why and how their companies engage in CSR.

The study consisted of two qualitative and complementary research methods. The primary research method was semi-structured interviews with managers lasting up to one hour. The secondary research method involved the collection and analysis of CSR-related publications from pharmaceutical companies. A multiple source approach was used for three specific reasons: 1) triangulate and confirm validity of primary data; 2) identify new areas or gaps in the literature not previously identified; and 3) create a more well-rounded understanding of why and how the pharmaceutical industry engages in CSR.

For the interview portion of the study, the population consisted of middle-to-high-level managers of multinational pharmaceutical companies operating in North America, who either had significant responsibilities related to their company's CSR decision-making

process or were participants in such programs. The study population for the publication analysis included those pharmaceutical companies whose managers participated in the interview portion of the study. Formal e-mail correspondence was used to contact and invite potential study participants who were informed of the purpose and scope of the research. Non-random, purposive sampling was used to select those within the two key groups of managers deemed to be in a position to provide rich perspectives on the CSR decision-making process within their companies; those engaged with external stakeholders and those with defined roles in CSR.

A constructivist grounded theory methodology was applied to the interview process, including the interview guide and data analysis, with the end goal of creating a substantive theory. Coding and categorizing began during the collection of data, and proceeded in a non-linear fashion to allow for the constant comparing and analyzing of the data. These iterative and circular processes developed into theoretical pathways that required further examining and provided additional data. Memos and diagrams were used as markers for thoughts and creative tools to further analyze the components of the developing theory. The result was a theory constructed from multiple perspectives and woven into a multi-story narrative.

Managers from eleven companies (nine brand name and two generic) participated in the study. In total, 22 interviews were completed, and consisted of fifteen Canadian managers, six American managers, and one British manager. Additionally, there were three companies where interviews were conducted with managers from both Canadian and American affiliates of the same company. The positions held by respondents within their respective companies included those directly involved in creating, implementing, and reporting on CSR programs and policies, and those distanced from, but still affected by them. The range of perspectives based upon the positions held by participants provided an insightful range of interpretations regarding CSR within the pharmaceutical industry.

The resulting substantive theory and its accompanying model present an evidence-

based framework for the industry's process of CSR evolution (core category) and articulate the relationships, interactions, and influences of its four subcategories: 1) social context; 2) CSR perspectives; 3) continual development and reinforcement process (CDRP); and 4) symbiotic continuum.

The substantive theory suggests that the pharmaceutical industry is in a process of institutional change, with previously taken-for-granted perspectives and strategies in conflict with, and contested within, the social context of the industry. CSR is no longer just a pragmatic/moral strategy to gain, maintain, and repair legitimacy using loosely coupled practices and structures. Logical connections and framing developed and reinforced by institutional entrepreneurs and their resources have constructed the identity of CSR as an umbrella business strategy that can universally resonate with stakeholders and thereby create greater connectedness with operational locals and stakeholders. Subsequently, CSR can be used to mitigate risks and uncertainties while also fostering a motivated and controlled workforce by reinforcing the internalization of desired meanings relating to the role of CSR. By integrating and merging internal and external conceptions of what is considered 'right' and how to serve the self-interest of others in addition to their own, companies capture wider social movements in an attempt to find or construct opportunities to enhance their potential for long-term success and sustainability. If these opportunities mean diverting assets and expertise to address social needs, and in so doing, result in tangible (e.g. market entrance) and intangible (e.g. motivated workforce) returns on these investments, then CSR becomes justified and legitimized by bridging the changing institutional logic.

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## DEDICATION

I would like to dedicate this product of four and a half years of growth and learning—of course, intermixed with periodic moments of stress inducing ambiguity and confusion—to my wife, Janelle. Although I started out single, I finished with the love of my life, you. I admire the level of tolerance you exhibited for the graduate process and me, and I find it rather serendipitous that by entering into my graduate program I found you. You are where I find serenity, and I am excited to spend the rest of our lives together.

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	<b>LIST OF ABBREVIATIONS</b>	
	ATMI – Access to Medicines Index	
	BP – British Petroleum	
	CADTH – Canadian Agency for Drugs and Technology in Health	
	CAT – Creating authenticity and transparency	
	CDCAC – Canadian Democracy and Corporate Accountability Commission	
	CDR – Common Drug Review	

CDRP – Continual Development and Reinforcement Process  
CEO – Chief Executive Officer  
CR – Corporate Responsibility  
CSA – Cultural Shift and Alignment  
CSR – Corporate Social Responsibility  
DJSI – Dow Jones Sustainability Index  
DOJ – Department of Justice  
DTCA – Direct-to-consumer Advertising  
ETB – Edelman Trust Barometer  
EU – European Union  
FDA – Food and Drug Administration  
GDP – Gross Domestic Product  
GRI – Global Reporting Initiative  
GSK – GlaxoSmithKline  
GSR – Government Social Responsibility  
HPFB – Health Products and Food Branch  
HR – Human Resource  
IFPMA – International Federation of Pharmaceutical Manufacturers and Associations  
IMF – International Monetary Fund  
IP – Intellectual Property  
J&J – Johnson and Johnson  
LTO – License to Operate  
MHRA – Medicines and Healthcare Products Regulatory Agency  
MNC – Multinational Corporation  
MSE – Modified Snowball Effect  
NAFTA – North American Free Trade Agreement  
NGO – Non-governmental Organization  
OECD – Organization for Economic Cooperation and Development  
PMA – Professional Medical Associations  
PR – Public Relations  
R&D – Research and Development  
ROI – Return on Investment  
SAM - Sustainability Asset Management  
SEC – Security and Exchange Commission  
SR – Symbiotic Responsibility  
SRI – Socially Responsible Investing  
TNC – Transnational Organization  
TPD – Therapeutics Products Directorate  
TRIPS – Trade-Related Aspects of Intellectual Property Rights  
UK – United Kingdom  
UN – United Nations  
US – United States  
USA – United States of America  
WB – World Bank  
WTO – World Trade Organization

WW1 – World War 1  
WW2 – World War 2

# 1. INTRODUCTION

## 1.1 Historical Context for the Modern Economic and Business Environment

### 1.1.1 Adam Smith – Father of Modern Economics

Adam Smith is widely considered the 'father of modern economics' (Hill, 2000; Milgate & Stimson, 2009) because of the economic theories he presented in his seminal book, *The Wealth of Nations* (1776). Smith's theories sought to bring understanding to the economic machine (how scarce resources are allocated) that people had created and, most importantly, the *invisible* internal workings that drove that machine. Smith's theory would serve as a major influence on the various concepts of free market capitalism that currently circulate and operate globally.

In the 18<sup>th</sup> century, the study of the economic machine was also known as political economy, due to its high level of integration with and control by governments. Smith provided two goals of the political economy: 1) to provide plentiful revenues for the people; and 2) to supply the state or commonwealth with sufficient revenue for public services (Hill, 2000). According to Smith, the role of the state or government is to be an active and strong supporter of the economy, while not impinging on the freedom of the individual. In supporting the economy, government should focus on supporting for the common good and not prioritize any particular faction (Smith, 1776; Hill, 2000; Milgate & Stimson, 2009).

Smith's concept of an 'invisible hand' theorizes that self-interested individual economic behaviour will create unintended consequences that will inherently address and possibly achieve the two main goals of the political economy:

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of the domestic industry, and so to direct that industry that its produce may be the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of the domestic to that of the foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. (Smith, 1776, p. 572)

The previous quote, in combination with others from *The Wealth of Nations*, are routinely used to explain and justify the pursuit of individualistic economic gains because of the belief that such actions ultimately benefit the common good; a misinterpretation that has drastically influenced economic theory and structure since the 18<sup>th</sup> Century (Hill, 2000; Milgate & Stimson, 2009). The incomplete or selective nature of this interpretation of Smith's theories are discussed in detail, but first, it is important to look at the context of when and why Adam Smith was theorizing about the political economy.

Adam Smith was a Scottish moral philosopher who developed and published his economic theories during a time (18<sup>th</sup> century) when the economic machine in Europe was designed and operated by a theory of mercantilism. "Mercantilism, in this sense, was a classic zero-sum game in which trade was effectively to be conducted on a warlike footing and understood as politics by another means" (Milgate & Stimson, 2009 p. 66). Economic trade was heavily regulated and directed by the state in an attempt to keep the state in a constant state of "perpetual readiness for war" (Milgate & Stimson, 2009 p. 66). Smith stood in opposition to mercantilism, and *Wealth of Nations* (1776) was both his direct critique of its perceived faults and a presentation of the methods that he theorized would operate the political economy more effectively.

Additionally, as explained by Hill (2000), Smith's theories were similar to certain aspects of those guiding the American Revolution. The future United States of America (USA) sought not only freedom from a distant ruler, but also greater economic freedoms for its citizens. Smith's theories sought to explain how people could have greater freedom by creating and using a market system that could fundamentally better the common good and do so without an authoritarian or oppressive state controlling it.

Rooted in the 18<sup>th</sup> century, it is important to note that an influential part of Smith's work was his acknowledgment and use of religious concepts in his theories (Smith, 1776; Hill, 2000). For example, analysis of his work has shown that his economic theories were built on a strong moral-ethical-religious foundation (Smith, 1776; Hill, 2000; Milgate & Stimson, 2009). Smith combines concepts of freedom and individualistic self-interest with religious concepts of justice and concern for the common

good. Additionally, he acknowledges that selfish, unsocial, and social motives are the basis for human actions (Smith 1759, 1776). Therefore, Smith identified a necessity for justice within a free market to ensure that the benefits of the invisible hand could be more evenly distributed:

He was certainly aware that individual action could produce unintended good for the community. But his analysis of the role of government, his repeated criticisms of actions of businessmen, and his concern for the working classes provide an important balance. Self-interest must be balanced with justice. (Hill, 2000, p. 114)

A strong critic of greed and inequality, Smith has been viewed by some as a staunch supporter of freedom from coercion and domination in any form, whether by the state or other individuals (Smith 1759, 1776; Hill, 2000; Milgate & Stimson, 2009). According to Hill (2000), Smith assumed that the costs and benefits of a free market, if left unchecked, would be shared unequally by individuals and that certain precautions should be taken to both prevent and react to these situations. As previously discussed, Smith theorized that government should have an activist role to ensure an equality of justice and that those engaging in self-interested activity should still operate with respect to the common good. Additionally, he believed the free market should have an element of fairness; it should reject behaviours that seek to coerce or dominate others by using purposeful methods to reduce or prevent competition and/or create substantial inequality.

Relating to inequality, Smith also criticized people or businesses that obtained excessive profits and/or owned disproportionate amounts of property. He argued that these situations could be avoided by entrenching concepts of justice and the common good into the operation of a free market-based economic machine (Smith 1759, 1776; Hill, 2000; Milgate & Stimson, 2009).

In his book, *Revolutionary values for a new millennium: John Adams, Adam Smith, and Social Virtue* (2000), Hill analyzes the influence of Adam Smith and John Adams on the American Revolution (1775-1783) and the newly formed United States of America. Hill (2000), along with Milgate and Stimson (2009), argues that over time Adam Smith's economic theories have been misinterpreted and even perverted. The result is a system of capitalism (e.g. the US) that ignores or contradicts substantial parts



of Smith's theories (e.g. justice, the common good, and social and political institutions as a foundation for the economy), while creating ideology out of others (e.g. individualistic self-interest):

Smith did not establish the priority of the market over the state nor is he responsible for the reductions of politics to economics...He is not the champion of unregulated competition, nor the moral purveyor of possessive individualism, nor the architect of an economic theory of capitalist democracy—not, at least, as these ideas are understood today. (Milgate & Stimson, 2009, p. 3)

In effect, American capitalism has undermined civic virtues, which are necessary for democracy and, ironically, are also crucial to Smith's type of capitalism. (Hill, 2000, p. 75)

Milgate and Stimson suggest this misunderstanding stems, in part, from Smith not “presenting a clearly articulated political philosophy or an unambiguously expressed set of political principles (p. 13). Gaps in his views, the use of a different (temporal, cultural etc.) lens (e.g. a 20<sup>th</sup> century one to examine 18<sup>th</sup> century theories) to analyze his work, and selectively using and emphasizing parts of his work while leaving others out were among the notable reasons for continuing misinterpretations of Smith's work. For example:

By the early nineteenth century, Americans became aware of Adam Smith's *Wealth of Nations*, but not many actually read that work. Ironically, many Americans learned economics from texts, which had been written by clergy; many of these texts distorted both Smith's moral theory and his economics. These texts emphasized laissez-faire, a word Smith did not use, and competitive individualism, at the cost of the benevolence and justice, which Smith had emphasized. (Hill, 2000, p. 140)

Adding to the misinterpretation of Smith's theories is the perceived gap between his two most notable books – *The Theory of Moral Sentiments* (1759) and *The Wealth of Nations* (1776). *The Theory of Moral Sentiments* is based more on concepts of morality, conscientiousness, and community than those presented in *The Wealth of Nations*; the latter of which has continually been misinterpreted to advocate for an unhindered individualistic pursuit of self-interest. Confusion arises because a theory of individualism or self-interest being in the public's interest is at odds with Smith as a moral or ethical philosopher (Kurtz, 2008; Heal, 2008). Such confusion is alleviated if scholars combined the topics/theories contained in both books rather than treating them

as mutually exclusive (Hill, 2000). What results from a combined understanding of both books is that one sees Adam Smith placing self-interest and individualism low on the 'moral ladder' (Hill, 2000). Fundamentally, Smith believes that moral considerations should rank higher than economic ones (Fitzgibbons, 1995).

The compounding misinterpretations of Adam Smith's theories resulted, according to some scholars, in the establishment of a “powerful economic justification for the untrammelled pursuit of individual self-interest” (Hirschman, 1997, p. 100). This 'establishment' has most likely contributed substantially to the economic, social, and political theories that guided the late 20<sup>th</sup> century economic principles that are now dominant in the global market.

### 1.1.2 Milton Friedman and Free Market Capitalism

In the latter half of the 20<sup>th</sup> century, Milton Friedman had a “commanding influence in macroeconomics” (Ramratten & Szenber, 2008, p. 24). In his seminal book, *Capitalism and Freedom* (1962), Friedman details his theory and reasoning for laissez-faire economics; a staunch libertarian (neo-liberal or, as he calls it, liberal) theory that ties individual freedom to the free market. He argued economic and personal freedom along with minimal government intervention (laissez-faire) were the necessary conditions under which 'true' capitalism would flourish.

Friedman developed and published his theories during the post-World War II (WW2) period. It was a time when the governments in many industrialized countries, in an effort to address social and economic inequality, were in the process of creating the modern welfare state, where, for example, tax levels were disproportionately higher for the rich and lower for the poor. Additionally, the 'threat' of socialism, or communism, was omnipresent in American life, with the communist USSR representing the only other global power. The USA and the USSR represented two opposing economic and political perspectives of what is 'best' for the common good. As a result, in the 'West' anything even remotely related to socialism/communism was often demonized in American culture (Stiglitz, 2010). It is more than likely that the political and social conditions influenced Friedman's oversimplified perceptions that comprised his argument for the free market in *Capitalism and Freedom*.

Friedman makes overt linkages across the concepts of free markets, democracy, and individual freedom. Based on these linkages, he proposes an economic theory that applies a deterministic logic to argue that a purely free market is the only viable method to sustain and grow both markets and democracy. His book has one main and one minor theme:

Its major theme is the role of competitive capitalism—the organization of the bulk of economic activity through private enterprise operating in a free market—as a system of economic freedom and a necessary condition for political freedom. Its minor theme is the role that government should play in a society dedicated to freedom and relying primarily on the market to organize economic activity. (Friedman, 1982, p. 4)

Following these two themes, Friedman advocates for a seamless and combined pursuit of both economic and individual freedom to achieve his view of 'true' political freedom. His socio-economic theory has obvious links to Adam Smith's theories in his references to individual self-interest and the invisible hand, but he noticeably leaves out the concept of a guiding moral philosophy. With an amoral foundation, Friedman's theory postulates that under his prescribed conditions the market will inherently benefit the majority of society economically while also strengthening democracy for all its citizens. However, it appears his argument breaks down as he describes conditions necessary for the theory to function – a situation too perfect to be realistic (Stiglitz, 2010).

To further illuminate the extent to which Friedman's theories deviated from those of Smith, a comparison of their seminal works is presented below. First, Friedman perceives the role of government as an instrument for the market: to create and enforce the 'rules of the game'. He demonizes any form of centralized government as overly socialist and therefore, undemocratic. The purpose of government, according to Friedman, is not to interfere with individuals' freedoms, and the economic system will actually monitor governments to make sure it is sufficiently limited. Adam Smith also suggests that government should create and enforce market rules while not impeding individual economic freedoms; but, unlike Friedman, he saw an activist role for the government in supporting justice and promoting the common good. Hill (2000) noted, however, that Smith had difficulty explaining how governments would manage the

conflicting roles of promoting individual freedom and protecting individuals and/or groups since the latter requires some freedoms to be limited.

Second, Friedman believed a free market should have unfettered competition, and includes, for example, full mobility for workers and companies, elimination of monopolies, protection from coercion, and access to complete information – a perfect situation. Analysis of Smith's work shows that Friedman, knowingly or unknowingly, selectively chose to advocate a theory that appears to be only half of Smith's economic argument. It acknowledges and adopts Smith's theories of individual economic self-interest and the invisible hand, but attributes amorality to the economy as a balancing factor instead of justice and the common good. Friedman avoids acknowledging human nature by arguing for the infallibility of a perfect or near-perfect, free market, while Smith was far more sceptical of his own theories and how they can be tainted by selfish, greed-oriented behaviours.

Finally, there is conflict between Friedman's perception of freedom and the egalitarian undertones of Smith. Smith argues for a social and political foundation for the economic machine, while Friedman identifies all freedoms as originating from a free market – a reversal of Smith's position. Friedman sides heavily with individual freedom to a point where he assumes that access and availability is based on the desire of individuals. If the market is running under perfect or near-perfect conditions, then anyone who is not able to manoeuvre their way into a profitable or successful position has made a conscious decision not to succeed, and therefore, does not require assistance because it would violate their freedom to choose. Smith takes a stance that acknowledges that there will always be inequality and opportunities to create more of it, and so it is the government's role to balance freedoms for the purpose of egalitarian justice.

Overall, there is some overlap between the economic, political, and societal theories postulated by Friedman and Smith. However, the differences are most evident in the extremely partisan views of Friedman and Smith's more cautious and more neutral view. Friedman presents an economic theory to shape societal and political institutions; a theory presented as deterministically perfect and a necessity to realize adequate levels of 'true' democracy. Smith's theory, albeit somewhat more vague and

ambiguous in proposing policies to implement, acknowledges fallibility in the market by linking its use to aspects of human nature that he perceives as invariability capable of creating negative situations and outcomes.

Smith, a 18<sup>th</sup> century moral and economic philosopher who lived in a time of mercantilism and revolution, wrote of how individual self-interest can drive and sustain a market if there is active regard given to justice and the common good by individuals, businesses, and governments alike. Friedman, a 20<sup>th</sup> century economist in a post WW2 society polarized by communist versus capitalist ideologies, developed an economic theory based on concepts of freedom, individual choice, and a minimal role for government in order to make an argument for a perfect, free market, which appears to be selectively influenced directly or indirectly by Smith's work. Both theories do overlap in descriptions of some situations that should be avoided and might require government intervention. For example, both denounce coercion and uncompetitive practices such as monopolies. However, Smith theorized a *laissez-passer* economy, not *lasses-faire*, where government plays an active role in the economy to ensure there is justice and regard for the common good (Hill, 2000).

Friedman finished his book, *Capitalism and Freedom* (1962), with a quote by Adam Smith and a response to it that would set the stage for a deterministic economic theory that echoed through the modern incarnation of a globalized market:

As Adam Smith once said, "there is much ruin in a nation". Our basic structure of values and the interwoven network of free institutions will withstand much. I believe that we shall be able to preserve and extend freedom despite the size of the military programs and despite the economic powers already concentrated in Washington. But we shall be able to do so only if we awake to the threat that we face, only if we persuade our fellow men that free institutions offer a surer, if perhaps at times a slower, route to the ends they seek than the coercive power of the state. The glimmerings of change that are already apparent in the intellectual climate are a hopeful augury. (p. 202)

### 1.1.3 Friedman, Smith, and 20<sup>th</sup> Century Globalization:

After publishing his manifesto of economic theory in 1962, Milton Friedman was appointed President of the American Economic Association in 1967. Additionally, he gained prominent positions within the US government as an economic advisor to two Presidents: Richard Nixon and Ronald Reagan. As a result, Friedman attained a

position of power where he could actively advocate for the adoption of his deterministic theory of free markets and individuals free of the state's coercive powers.

His theories were a direct critique of Franklin Roosevelt's New Deal economic policies that were heavily influenced by the economic theories of John Maynard Keynes. In 1933, the New Deal was implemented in the US to spur recovery from the ongoing Great Depression that began with the stock market crash of 1929 (Stiglitz, 2010). Notably, many of Keynes's economic theories have probable linkages to the moral/economic assumptions of Adam Smith. Winner of the Nobel Prize in Economics, Joseph Stiglitz (2010), explains his perception of the basis of Keynesian economics:

I believe that markets lie at the heart of every successful economy but that markets do not work well on their own. In this sense, I'm in the tradition of the celebrated British economist John Maynard Keynes, whose influence towers over the study of modern economics. Government needs to play a role, and not just in rescuing the economy when the market fails and in regulating markets to prevent the kinds of failures we have just experienced [referring to the 2008 global recession]. Economies need a balance between the role of markets and the role of government—with important contributions by nonmarket and nongovernmental institutions. In the last twenty-five years, America lost that balance, and it pushed its unbalanced perspective on countries around the world. (p. xii)

Friedman had originally agreed with Roosevelt's New Deal and its Keynesian influence, but in the 1950's, he became a critic of what he perceived to be its inherent flaws. Friedman, including other neoclassical (another term to describe libertarians) economists (Stiglitz, 2010), sought to persuade decision-makers and his fellow citizens about the benefits of a free market unfettered by government. However, these efforts were not very successful until a myriad of crises struck during the 1970s (Saul, 2005). It took a series of crises, involving, war, economics, and foreign policy to send nations around the world into a 'vacuum' where economic policy debates heated up. The result was a fundamental shift to a deterministic economic ideology (Saul, 2005) that echoed what Milton Friedman had been advocating, but on a global scale and involving free trade.

Saul (2005) and Bauman (1998) view the vacuum as supporting an aura of fear that allows for society to become more susceptible to deterministic viewpoints because they are framed by a discourse as the only, best, and inevitable option out of the current crisis:

Those who held power were simply too busy tinkering in an obscure specialist way to talk to us. And in any case they saw themselves as too sophisticated to talk to us in an open, intelligent manner. The ideologues weren't. There were great differences among those who spoke up, between the intellectual and moral sophistication of a Hayek or the careful reflections of a Samuel Brittain as opposed to the rather brutal simplifications of a Milton Friedman or an ideologue like Robert Nozick, to take just four. There were also great differences between each of the neo-liberals and among all of them as a group versus the simple free traders. But what linked them all was some idea of a possible global balance that would be more or less natural, thanks to released market forces. That in turn implied weakened governments, therefore weakened nation-states. And what linked them in turn to the non-communicative technocrats in power was a shared utilitarianism. (Saul, 2005, p. 63)

Neglecting any notable reflection on the failures of globalized trade in 19<sup>th</sup> Century Europe, there was a shift away from the 'protectionist' economic policies of the postwar period to policies that, it was argued, would create greater global growth through the globalization of the economic machine. As it proceeded, globalization was intended to reduce the strength of nation-states while simultaneously promoting greater democracy—a global free market.

We define globalization as the process of intensification of cross-area and cross-border social relations between actors from very distant locations, and of growing transnational interdependence of economic and social activities. (Scherer and Palazzo, 2008, p. 415)

The first attempt at global trade occurred in Europe in the 19<sup>th</sup> century. However, this attempt is perceived to have been deeply rooted in territorial imperialism (Soros, 2000):

But because of the way the whole thing works you can never have enough land. More colonies means more factories, more factories means more goods and more goods means that even more colonies are needed. The demand isn't driven by ambition or lust for power, but by a genuine need. But now the world had been shared out. To create new colonies—or merely to prevent the old ones being snatched from them by stronger neighbours—it was necessary to fight, or at least to threaten to do so. So each state raised powerful armies and navies and kept on saying: "Attack me if you dare"! The countries that had been powerful for centuries felt they had a right to be so. (Gombrich, 1936/2008, p. 266)

Although this form of globalization featured reliance among trading countries, the posturing necessary to protect colonial interests and the associated supply lines created

a looming aura of hostility. This form of globalization fostered an arms race between countries to maintain and gain influence over colonial regions in Asia and Africa (Gombrich, 1936/2008). An end came to this experiment when countries took sides against each other and engaged in large-scale warfare in 1914 (World War 1).

The second incarnation of globalization began in the 1970s through the deliberate political decisions of hegemonic elites (Saul, 2005) as an extraterritorial form of imperialism (Soros, 2000). Its implementation was made possible through earlier technological, social, and economic developments (Scherer & Palazzo, 2008). Technological advances had increased the mobility of those with the economic affluence to use it:

Integration and parcelling out, globalization and territorialisation, are *mutually complementary* processes. More precisely, they are two sides of the same process: that of the world-wide redistribution of sovereignty, power and the freedom to act, triggered (though by no means determined by) the radical leap in the technology of speed. (Bauman, 1998, p. 70)

It was the intent of these elites that economics and the global free market be at the top of the hierarchy of societal decision-making—an economic prism to analyze and dictate social and political processes. Saul (2005) and Bauman (1998) observed that the main assertion of globalization was that all civilizations would now be led by commerce, which meant perceiving everything, including social and political institutions, through an economic prism. This philosophy adheres to Milton Friedman's view that economics has become a science to direct civilizations. Essentially, this is a reversal of Smith, who considered social and political institutions as the prism through which we should view economics.

Saul (2005, p. 15) highlights a few of the benefits that were communicated as inherent to such a globalist strategy:

- 1) Power in global markets would be free of national interest and inhibiting regulations, leading to an eventual international economic balances (i.e. out grow the historically observed boom-bust cycle in economies);
- 2) A broad economic tide of growth will happen—helping everyone including the poor in developed and developing worlds alike;
- 3) The whole process will empower individuals to overthrow dictatorships in favour of democracy; and
- 4) Nation-states will hold less power and this, in turn, will result in a shrivelling away of irresponsible nationalism, racism, and political violence.



Some of the proposed benefits were realized, albeit to varying degrees and fractured across nations. Saul uses the example of Mexico, which, in 1994, was globally hailed as one of the most admirable economic successes of globalization, albeit it was short lived as its economy collapsed the next year. However, many scholars question the motivations and economic policies that shaped globalization, and cite the multitude of benefits that never came to fruition and the negative consequences that resulted instead as evidence (Saul 2005; Bauman, 1998; Stiglitz, 2010; Soros; 2000). As the in the case of Mexico in the mid 1990s, the 'unleashing' of market forces and the reduction of nation-state power resulted in economic, social, and political benefits; but the boom-bust cycle it was intended to prevent, remained. In addition, the combination of wealth and varying levels of time and spatial constraints created optimal conditions for economic inequality (Bauman, 1998).

Overall, globalization efforts led to more coercion, dominance, factionalism, and inequality, which degraded democracy and individual power (Saul 2005; Bauman, 1998; Stiglitz, 2010; Soros; 2000); violating the economic conditions of both Friedman and Smith:

Globalization has given more opportunities for the extremely wealthy to make more money quickly. These individuals have utilized the latest technology to move large sums of money around the globe extremely quickly and speculate ever more efficiently. Unfortunately, the technology makes no impact on the lives of the world poor. In fact, globalization is a paradox: while it is very beneficial to a very few, it leaves out or marginalizes two-thirds of the world's population. (Bauman, 1998, p. 71)

What Bauman describes as the reality of the process of globalization, Smith had already warned about as a possible outcome of under-regulated free market competition:

Smith assumed that the results of free market competition would be unequal. Some would prosper and others would not. What one earns from one's own skill and hard work and cooperation with others, in other words through justice and fair play, is acceptable. But inequality is a vice if it is a result of domination of others. (Hill, 2000 p. 115)

This sentiment about human nature and how it can pervert competition is shared by George Soros (2000, p. 143): "Collective decision making in contemporary

democracies is largely a power play between competing interests. People try to bend the rules to their own advantage.” However, when scholars and intellectuals warned about the need to account for the human nature flaw when designing and operating within a free market, their credibility was questioned (Sual, 2005; Stiglitz, 2010). Instead, a hybrid economic concept of globalization, free markets, and a reduced role for government emerged in the US; referred to as market-fundamentalism by Soros (2000).

Market fundamentalism as a concept spread globally, with other nation-state leaders, such as the UK's Prime Minister Margaret Thatcher (1980), expressing the desire to 'unleash' the markets and pull back government intervention (Saul, 2005; Ramratten & Szenber, 2009; Stiglitz, 2010). As a result, an economic movement began in the 1970s that included the purposeful weakening of governments, globally forced deregulation, and the lowering of corporate and high-earner taxes (Bauman, 1998; Saul, 2005; Stiglitz, 2010).

Upon reflection, however, even Soros (2000), who had previously been an advocate for globalization, came to the realization that there were systemic problems associated with how globalization was actually occurring:

Indeed, the main failing of global capitalism is that it is too one-sided: it puts too much emphasis on the pursuit of profit and economic success and neglects social and political considerations. This is particularly true in the international arena. (p. 179)

Stiglitz (2010) also identified the foundational flaws of an economy guided by a market-fundamentalist ideology:

They (market-fundamentalist ideologues) chose to pretend that Adam Smith and Friedrich Hayek had had the last word today on market efficiency—perhaps updated by some fancy mathematical models corroborating the results—but ignored these scholars' warnings about the need for government intervention. (p. 274)

As a result, “the disparities are cumulative, and the disadvantages accruing to periphery countries resulting from membership in the global capitalist system may sometimes exceed the benefits” (Soros, 2000, p. 169).

Soros perceives the problem stemming from the flaws in the market mechanism and deficiencies in the non-market sector. Saul (2005), with another perspective on the

matter, saw fatal flaws resulting from inadequate regulation and the lack of social policy integration. Stiglitz (2010) reiterates these perceptions in his endorsement of Keynesian economics by promoting government intervention in the economy, and he adds further that the common good needs to be considered in how we create and use the economy. The economic insights of all three scholars are consistent with Smith's desire for social and political institutions as the foundation for the construction and use of the economic machine. According to Stiglitz (2010, p. 275), people shape the economy, which implies that it should not be used in reverse, to shape people. He proposes reflection on the current recession to determine the type of society people want to live in, and then use that to determine how the economy should be shaped to achieve that society—a construct that reflects social values.

An important aspect of Friedman's vision of a free market is that it 'naturally' leads to the greater promotion and adoption of democracy; but others have disputed this claim (Saul, 2005; Bauman, 1998; Hill, 2000; Soros, 2000; Stiglitz, 2010). Rather, the concentration of power from wealth and property creates situations where individuals can be dominated and/or coerced, something that Friedman actually wanted to avoid, and had assumed an amoral construct (i.e. the free market) would naturally counterbalance this tendency.

According to Hill (2000, p. 151), Smith's writings are cautionary:

Note Smith's argument that a free market economy causes deterioration in social and intellectual skills, but does not take any steps to prevent or alleviate the deterioration. Furthermore, such problems weaken democracy and the government's ability to protect the nation.

The result of using an economic prism to analyze and direct the functioning of nation-states and the rise of a global market was a displacement of the power of nations and individuals, shifting it instead toward the hegemonic elite, which includes multinational corporations (MNCs):

The force of Globalism, through trade agreements, deregulation and privatization, would seriously weaken the ability of nation-states to act with any political independence. The resulting power vacuum would be filled by the obvious modern alternative, the transnational corporation. (Saul, 2005 p. 81)

Globalization has provided MNCs great latitude and power in choosing the

location and legal system in which they wish to operate (Scherer & Palazzo, 2008). For example, freedoms set out by treaties such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) have given MNCs the itinerant freedom to operate and impose their property rights (e.g. patents, trademarks etc.) in any member country (Bauman, 1998). MNCs now have the ability to effectively operate in a colonial fashion, where they can easily enter markets, influence the regional politics and social structures, and, if necessary, coerce others through threats of exiting one market for another (Bauman, 1998). This has culminated in MNCs with more wealth, property, and influence, along with access and infrastructure in parts of the world, than most nation-states (Saul, 2005). As a result, states are increasingly more reliant on corporations because the same organizations or treaties (NAFTA, WTO) that give increased freedom to corporations, often place restrictions on the ability of these states to govern with regard to the common good (Moon & Vogel, 2008). In such situations, corporations have the potential to become the principal moulders of the priorities and directions of nation-states:

In rich and poor countries alike, albeit in different ways, MNCs often enjoy decisive powers to shape public policy, to encourage or bar legislative measures, to promote or discourage social reforms, and to influence governmental action including employment, the environment, and social and civil rights. (Shamir, 2005, p.92)

The political steering capacity of nation-states continues to erode as MNCs grow in their power and realms of influence, which in turn allows them to gain ever more political and social power.

MNCs have the potential to create high levels of competition and drive economic growth and innovation—a situation that has occurred—but the virtually unfettered growth of these large entities has resulted in increasingly more effective obstacles to competition. For example, Saul (2005), Bauman (1998), Soros (2000), and Stiglitz (2010) claim that corporate mergers and acquisitions represent, for the most part, attempts to gain power and market size, which in turn lowers the level of competition. With the decline of unhindered (healthy) competition, the perfection necessary for Friedman's theory of the free market, in fact, creates situations of inequality, coercion, and domination.

The intention is not to suggest that MNCs are purely negative forces in the global market; they do play a vital role in economies through such functions as innovation, employment, and taxes. However, if the economy is amoral, then those who use it in their own self-interest must still account for the common good, including governments that must ensure there is strong element of justice (typically through proper regulation, taxation, and public services).

As globalization progressed from the 1970s to the present and nation-state powers weakened without the anticipated increase in democracy, emerging market (a crude term used to describe developing markets that are becoming more globally competitive) countries such as China, India, and Brazil deviated somewhat from the circulating free market strategy. They cherry-picked those free market and globalization strategies they perceived as best for themselves, and mixed them with internally focused strategies to strengthen their power as nation-states (Saul, 2005)—a free-market/nationalism hybrid strategy. Saul and Stiglitz observe that these countries use a quality of life lens as a measure of success, rather than the purely economic prism (associated with gross domestic product (GDP)) used by the Western economies. Emerging market governments use increased regulations and other forms of control to ensure that they are not sacrificing their potential for growth by reducing their power as nation-states. Although some of these nations have questionable human rights policies, their economic strategies are more aligned with the theories of Adam Smith. By extension, they also conflict with Friedman's claims of the free market's ability to determine a democratic path.

Nearing the end of the 20<sup>th</sup> century, the cracks or failures in contrast to the proposed benefits of globalization were becoming more widely recognized:

In such an atmosphere, it was only a matter of time before citizens and their governments rediscover that they were far stronger than large corporations. They are stronger because they can shape events by creating policy through choice, as opposed to the transnational corporation, which accumulates power by reducing choice. (Saul, 2005 p. 143)

While Saul (2005) is more circumspect, Fabig and Boele (1999) suggest that the exponential growth in non-governmental organizations (NGO) in the late 20<sup>th</sup> century was tied directly to the effects of globalization. In general, the intended purpose of a

NGO is to coordinate the lobbying or to advocate on behalf of a 'cause' for the individuals or groups they represent, usually by pressuring businesses and/or governments for a response. 'Causes' can include any issue that is perceived as important, including, for example, broader categories such as environmental, health, economic, and social. NGOs attempt to apply pressure and create accountability in order to influence changes in actions and behaviours that they perceive as negatively affecting or not living up to their potential to help their associated cause (Heering & Zeldenrust, 1995). The pressures and calls for accountability that NGOs amplify and use are perceived by some as one of the driving forces in the corporate social responsibility (CSR) agenda (Fabig & Boele, 1999; Seitanidi & Crane, 2009; Wadham, 2009).

## **1.2 History of Corporate Social Responsibility**

CSR has been researched for over twenty years, with discussions surrounding the social responsibilities of corporations dating back to the 1950s (De Bakker, Groenewegan, & Den Hond, 2005). Furthermore, business philanthropy has dated back centuries with donations to the arts, as well as other educational and religious institutions (Wren, 2005 cited in Carrol, 2008). It is likely that notions of CSR and business responsibilities to society have been continuously discussed since the beginning of commercial and corporate life. For example, in Ancient Greece, Aristotle philosophized about businesses being tied to society; consequently, they have an inherent obligation to contribute to the common good (Mele, 2008). There is little agreement, however, as to the exact factors and processes that have contributed to the development of CSR because of its normative foundations and development as a social construct.

The following definition of CSR aligns with notions of an integrated relationship among business, government, and the common good that a philosopher such as Aristotle and economists such as Adam Smith (also regarded as a philosopher), Joseph Stiglitz, and George Soros advocated:

CSR blends and harmonizes economic operations with human community's social systems and institutions, creating an organic linkage between business and society. The end goal of this relationship is to achieve a balance between

the firm's economic operations and the society's aspirations and requirements for community welfare. (Frederick, 2008, p. 523)

It appears that a diverse range of CSR actions by businesses that can be perceived as somewhat relating to that definition began to occur during the Industrial Revolution. Reformers criticized the factory system, developed during the Industrial Revolution, as a main factor in "numerous social problems, including labour unrest, poverty, slums, and child and female labour" (Wren, 2005 cited in Carrol, 2008, p. 21). Welfare schemes, including bathhouses, profit sharing, and recreational facilities for workers are examples of CSR activities carried out by businesses at this time (Wren, 2005 cited in Carrol, 2008). According to Carrol (2008), these CSR activities reflected an actual concern of these businesses for the well-being of their employees, as well as an attempt to increase the production of employees. The period of expansion of CSR during the Industrial Revolution is referred to as the 'philanthropic' era (Murphy, 1978 cited in Carrol, 2008), and continued until the 1950s.

CSR, as a distinct concept of expanded business responsibilities, first gained broad awareness between the late 1950s and the mid-1960s. Awareness increased in response to societal concerns in Western nations as a response to a perceived lack of corporate ethics pertaining to a number of issues, including labour practices, bribery and the inability to raise aid for the economically deprived. This period is referred to as the 'awareness' era, with corporations pushed to recognize and be accountable for their role within society (Murphy, 1978 cited in Carrol, 2008). Despite growing external expectations, discussions and actions about the social conscience or role of a corporation were rare within corporate boardrooms, and it was not until the 'issues' era (1968-73) that Murphy (1978) believes corporations began to focus on socio-political issues such as urban decay, environmental problems, and racial discrimination.

Since the 1970s, and continuing to the present, "society's expectations of business ethics have been rising" (Lantos, 2001, p. 598). The 'responsiveness' era, which reportedly began in 1974 and continued until the 1980s, is supposedly when corporations began to make the necessary internal changes needed to respond to CSR related issues. Murphy (1978) and Carrol, (2008) describe these changes as including the alteration of managerial and board structures, expanding of corporate ethics, and

emergence of social reporting.

A different explanation of the emergence and evolution of CSR perspectives and engagement is offered by Frederick (2008), who defines the periods of the 1950s-1960s as CSR1: corporate social stewardship and the 1960s-1970s as CSR2: corporate social responsiveness. Although the dates are slightly different than the 'eras' described by Murphy (1978), the overall description and focus are similar. Frederick extends the analysis by including two additional CSR phases: CSR3: corporate/business ethics (1980s-1990s) and CSR4: corporate global citizenship (1990s-2000s). The CSR phase of corporate/business ethics focuses on creating a strong business climate for the spread and expansion of ethics. As such, this requires corporations to integrate new ethical considerations into the values, beliefs, and culture of the corporation, resulting in a normative focused environment.

The fundamental shift in the corporate mindset that Murphy and Carrol describe seems rather optimistic. After examining the history of economic theory, globalization, and multinational corporations, it is doubtful that many companies adopted the supposed widespread CSR actions, other than basic philanthropy. Why would there be such a substantial push for CSR by societal forces if they had already been adequately addressed? As a result, these periods of CSR 'engagement' may be better understood as changes in the social and political climate.

Overall, there is variation in the descriptions of the development of CSR. Frederick (2008) explained the variation thus: "individual firms may be positioned at different points on the phased trend line" (Frederick, 2008, p. 524). Additionally, not every corporation can proceed through each phase completely or at the same pace, and, most likely, at any point corporations might simultaneously represent the focus of multiple phases. Fredrick's depiction of the modern history of CSR appears to be linear. It is unlikely, however, that the path of CSR for every company would be linear. Instead, companies might jump ahead or backwards, skipping trends or even progress their CSR strategies along a tangent, straying from those suggested. A non-linear progression of CSR is more consistent with its constantly evolving, normative nature.

Notably, Frederick's 'four stages of CSR' is specifically derived from the development of CSR within the US, while Murphy's framework, as described by Carrol,



was based on both the USA and Europe. The historical contexts, social norms, etc. of each country would have contributed to the development of CSR, creating differences.

Most notably, some scholars observe that there is still “strikingly little unanimity concerning the actual evolution of this field” (De Bakker et al., 2005, p. 284). One area of agreement is that the concepts comprising CSR among corporations are more than just aspects of a temporary business strategy:

Corporate social responsibility (CSR) has emerged as a global trend incorporating business corporations, states, international organizations, and civil society organizations. (Sahlin-Andersson, 2006, p. 595)

In a study carried out by the Society for Human Resource Management (2007 cited in Fox, 2007) of 431 human resource (HR) professionals, 91 percent indicated their company engaged in some form of CSR, and the majority of CSR was in the form of volunteer work and donations (philanthropic programs). Additionally, a recent European study found that 73 percent of consumers think that it is a positive attribute for corporations to report on their CSR activities (Benett et al., 2009). In a small number of European countries, governments have created regulations to mandate corporate social reporting:

Several governments have sought to promote global CSR by requiring firms to report on their social and environmental policies and practices. Various kinds of corporate disclosure requirements have been adopted by Denmark, Germany, Finland, France, and Sweden, while the British have issued voluntary guidelines on corporate social reporting. (Moon and Vogel, 2008, p. 316)

However, the substance and authenticity of reporting and soft regulation of CSR seems to be more of a symbolic step to try to get companies to better address societal and political concerns and expectations. Additionally, simple surveys may be overly superficial and subject to respondents giving answers that are perceived to be 'right'.

Regardless of perceptions of authenticity, it is proposed that CSR is transforming the boundaries and relations among business, states, and civil society (Sahlin-Andersson, 2006) by changing fundamental practices, such that in the future it may be necessary to engage in CSR simply to remain competitive (Googins et al., 2007; Bennett et al., 2009). For instance, Sahlin-Andersson (2006) examined the similarities of the current CSR trend with previous managerial trends and found there were many

commonalities. The definition of a managerial trend is “they are adopted by organizations as a means of appearing legitimate, modern and attractive for potential employees, collaborators, customers and others” (Sahlin-Andersson, 2006, p. 603). In accordance with this definition, CSR can be considered a new managerial trend because it could be considered a response to social and political forces.

### **1.3 Pharmaceutical Industry Background – Growth, Prominence, and Regulation**

Medicinal products, drugs, or pharmaceuticals, have been developed and distributed for thousands of years. The modern pharmaceutical industry is a clear evolution of the discovery, identification, development, and distribution of medicines as individuals and companies have adapted to emerging cultural, technological, and environmental changes, influences, and opportunities (Dukes, 2006).

From its original function purely as manufacturer and provider of medicines, the pharmaceutical industry has diversified into a wide range of associated activities. It has come to function among other things as an innovator, a provider of information and even education, a major employer and a significant player in the world economy. (Dukes, 2006, p. 10)

There are two main types of pharmaceutical companies: research-based, or brand name, and generic manufacturers. Brand name manufacturers are the more traditional of the two and focus on “innovation programs concentrating on the creation, identification, development and marketing of entirely new medicines” (Dukes, 2006, p. 11). Historically, the majority of these processes take place in-house or exclusively at brand name companies. However, aspects of these processes routinely occur in separate organizations and environments such as academia where a number of discoveries are made and then the property rights are frequently acquired by companies (Dukes, 2006). Products developed by brand-name companies are patented, which typically provides market-exclusivity for 20 years.

Generic companies produce and sell off-patent drugs. Importantly, the generic versions of brand name drugs must be shown to be bio-equivalent and equally safe: “Generics are rigorously tested by the FDA and must prove that they are the same medicine with the same active ingredient, strength and dosage as their brand-name

counterpart” (Canadian Generic Pharmaceutical Association, 2011). Generic drugs are priced at a fraction of their brand-name counterpart due primarily to significantly lower development costs.

The development of both types of pharmaceutical company emerged from periods of heavy regulation, the definition of property rights relating to pharmaceutical innovations, and a competitive environment that has grown, and is fuelled by, a dual role in healthcare and for-profit business.

There have been various levels and types of regulation regarding the creation and distribution of pharmaceutical-related products since the Roman times, right up through the Middle Ages, and into the 20<sup>th</sup> century (Dukes, 2006). The combination of charlatans, apothecaries, and the rising synthetic chemical industry led to greater awareness of the requirement to evaluate and regulate existing and new medicines to ensure they are safe for consumption (Dukes, 2006).

After World War 2 (WW2), there was an explosion of pharmaceutical innovation, a period described as the 'golden age' (Chetley, 1990; Agrawal; 1999). However, without the proper regulation and evaluation of medicines, there was also an increase in adverse events. As additional cases of health disasters resulted from toxic reactions to medicines that were either completely avoided or improperly evaluated, regulatory bodies were created in Europe and North America in the 1960-70s (Agrawal, 1999). The tipping point that created nearly universal agreement about the lack of understanding of how medicines operate and the requirement of proper regulation was the thalidomide disaster in the 1960s (Dukes, 2006; Chetley, 1990; Agrawal; 1999).

While the major concern at the time was with the means of ensuring the safety of new medicines, there was parallel concern regarding their efficacy, the quality of their production and the truthfulness and completeness of the information provided on them. On all these matters, instances had been documented on serious shortcomings, and the progressive rise of the clinical pharmacology had shown how necessary it was to examine drugs systematically in human subjects if their effects were to be properly defined. (Dukes, 2006, p. 107)

After the golden age of pharmaceutical innovation, the decades of the 1960s and the 1970s were a time of substantial regulatory growth (Dukes, 2006; Chetley, 1990; Agrawal, 1999).

Dukes (2006) provides three categories that represent a nation's comprehensive

approach to evaluating medicinal products' production and distribution: 1) national drug policy; 2) laws; and 3) regulations. National drug policy serves as the guiding foundation for the medicinal-related laws and regulations. Laws are used to formulate the "structures and procedures necessary to assess and license medicines, and deals with some closely related issues (such as advertising, adverse reactions and clinical research" (p. 109). Finally, regulations are the detailed network of rules that are used to operationalize such laws.

Interestingly, Dukes' description of the laws and regulations that govern pharmaceuticals included how companies market and sell their products to the public. The following explains the rationale for these regulations:

Few consumers have sufficient technical or medical background to make rational and informed choices about therapeutic goods...For this reason, the selling of pharmaceuticals is restricted to protect consumers from possible health risks and deception. (Australia Trade Practices Commission, 1992, p. 19)

Conflicts of interest, and therefore health risks, that may arise from for-profit companies being involved in healthcare has likely contributed to further regulations beyond the medical effects of products:

There is an implicit assumption, readily confirmed through experience, that on occasion a manufacturer will for commercial reasons wish to maintain or introduce a product which is from the public health point of view defective in terms of its efficacy, safety or quality, and that in such situations, the authorities must be capable of arresting the process until or unless the defect is remedied. (Dukes, 2006, p. 113)

As explained in preceding sections, there have been both positive and negative results from the process of globalization, and the pharmaceutical industry has been subject to and a force in both. However, the negative consequences explain why there is such a high level of laws and regulations governing the actions and products of the pharmaceutical industry. Furthermore, inequality in the wealth and development of nations results in fragmented and/or inadequate laws and regulations and the capabilities to enforce them in lesser-developed nations:

Currently about 20% of countries have well-developed and operational medicines regulation. Of the rest, approximately half have regulation of varying capacity and level of development, and 30% have either no or very limited medicines regulation. The reality is that many low-income countries cannot ensure the

safety, efficacy, and quality of medicines circulating on their markets. The problems of ineffective regulation transcend national borders and have global implications. Smuggling of medicines is widespread. Even manufacturers who fail to comply with good manufacturing practice (GMP) requirements can still produce medicines for domestic use and for export. Often controls on exported medicines are less stringent than for those used domestically. (WHO, 2004)

Conversely, continuing differences in regulations across all countries are perceived, by some, to be causing disadvantages because of varying times of drug availability across countries (Agrawal, 1999).

Countries are commonly categorized as either developed or developing based on subjective and objective assessments of levels of freedom, health, and economic well-being. Kofi Annan, former Secretary-General of the United Nations (UN), states:

A developed country is one that allows all its citizens to enjoy a free and healthy life in a safe environment. And a genuinely developing country is one in which civil society is able to insist, not only on material wellbeing, but on improving standards of human rights and environmental protection as well. (United Nations Information Services, Press Release No. G/05/2000)

Furthermore, the UN elaborates the reasoning for their classification of developed and developing countries:

There is no established convention for the designation of "developed" and "developing" countries or areas in the United Nations system. In common practice, Japan in Asia, Canada and the United States in northern America, Australia and New Zealand in Oceania, and Europe are considered "developed" regions or areas. In international trade statistics, the Southern African Customs Union is also treated as a developed region and Israel as a developed country; countries emerging from the former Yugoslavia are treated as developing countries; and countries of Eastern Europe and of the Commonwealth of Independent States (code 172) in Europe are not included under either developed or developing regions. (United Nations, 2010)

The differences in regulations among countries with similar and differing levels of development are a result of country-specific regulation—a process in which countries design their national drug policy and its laws and regulations based on their resources, capabilities, and the varying interests and influences within their socio-political context (Puig-Junoy, 2005).

Although Smith and Friedman would agree, albeit to varying degrees, that regulation of the pharmaceutical industry is necessary, the levels of regulation created

in the 1960s-1970s became widely regarded as too much—an over compensation for the preceding crises (Dukes, 2006; Agrawal, 1999). There was some deregulation in the following decades, but the industry remains one of the most heavily regulated industries globally.

The level of regulation of the industry is a heavily debated topic, with many representatives from the pharmaceutical industry and their affiliated associations claiming that the high level of regulation stifles innovation and, therefore, should be reduced. However, a 2004 study by the Charles River Group for the European Union found that the 45 years of innovative growth coincided with both increases and decreases in the level of regulation. However, they did suggest that serious challenges to develop therapies for complex diseases such as HIV/AIDS, and new criteria that more strictly define what can be considered a new drug, could be affecting innovation levels.

Pharmaceuticals that have gone through the entire creation and commercialization process are generally patented for both the product and the production processes involved in its manufacturing, and sometimes also the delivery process. Patents provide exclusive production and selling rights to the owner and, typically, they last for a period of 20 years (Dukes, 2006). The four stages of development in gaining approval for a patented drug or product can take over 50 percent of the 20 years. As a result, a successfully patented and approved product has a relatively short period to earn back research and development (R&D) costs and to provide a return to shareholders (profits): “During this time the price can be maintained at whatever level its originator has chosen” (Dukes, 2006, p. 11).

The monopolistic protections granted by patents are a contested issue. According to some, including many governing bodies, the industry, and their affiliate associations, patents are necessary because exclusive rights allow these companies to conduct business in a profitable manner. Their view is that such protections are necessary if companies are to justify the substantial investments in R&D that are necessary to fund the production and development of a drug (Dukes, 2006; Goozner, 2004). Furthermore, it is argued that the industry must have this assurance or the result of losses is that society will suffer because necessary medications will not be produced

and new discoveries may be prevented.

Most industries view research and development as something they must do to stay one step ahead of the competition, just as they must reduce the cost of production to maintain profit margins. If they fail to innovate, they risk obsolescence and decline. “If we don't spend our money on research and development, we will die”, I've heard more than one chief executive officer say to stockholders at an annual meeting. The drug industry stood this corporate mantra on its head. “If we don't get your money to spend on research and development, you'll die.” (Goozner, 2004, p. 7)

Monopolies and oligopolies, demonized by Smith and Friedman, are viewed in today's business environment as acceptable in certain circumstances. Those advocating for the patents that create monopolies would argue that it is in the public interest (common good) that these companies are granted special protections as an incentive to continue to develop innovative pharmaceutical products. Conversely, others believe (e.g. Smith, Friedman, Stiglitz) that if monopolies are allowed to exist, then the process that creates the optimal price equilibrium is disrupted because competition has been artificially reduced. Consequently, such monopolies result in abnormally high prices for the goods they produce and sell—a situation that exists in the pharmaceutical industry and creates substantial social and political controversy (Agrawal, 1999; Chetley, 1990; Dukes, 2006; Hawthorne, 2003; Kolassa, 1997; Puig-Junoy, 2005).

One group contesting the pricing power of monopolistic patents are the generic manufacturers. As described earlier, there is a lower cost attributed to the manufacturing of generic drugs, in part, because not only are R&D costs lower but they also do not tend to widely advertise or promote their products in comparison to brand name companies (Dukes, 2006). As a result of the reduced costs, generic companies can price their drugs at a significantly lower amount, approximately 30-80% less than those that are still protected by patents (Generics Pharmaceutical Association, 2011), while achieving similar returns-on-investment (ROI).

The variety of topics discussed in this section will serve as the foundation for the critical analysis of the industry and its perceived societal role has become very controversial and how society is reacting by pushing the industry to engage in more CSR-type activities. For example, companies with an overt link to the common good

(e.g. discovery, production and distribution of medicinal pharmaceuticals) engaging in self-serving behaviours that were normalized by the dominating discourse of market-fundamentalism (Saul, 2005):

The profit motive can be used as an incentive to bring about desirable social outcomes, such as full employment, affordable medicine, or a healthy environment, but if the rules that govern industries such as healthcare are allowed to be driven by profit, some undesirable social consequences are bound to follow. (p. 151)

#### **1.4 Summary**

In the review of the relevant literature, a historical context was provided to create understanding about the more influential theories that have contributed to, and influenced the construction of, the current economic and business environments. Most notably, Adam Smith in 1776 presented his theoretical insights into how economic policy should be created and used. The acknowledgement of his contribution to modern economic theory has resulted in Smith being widely considered the 'father of modern economics'. Although it has been misinterpreted as an amoral approach to self-interested or individualistic economics, Smith's economic opus was more rooted in moral philosophy. Adam Smith theorized that the economic machine could function effectively and with egalitarian side effects if everyone operated in their own self-interest; however, he perceived many moral-based elements being required for this optimal situation to occur. For instance, government has a difficult role because it must ensure justice exists within the market using proper regulations and taxation while not impinging on the freedom of individuals. Additionally, individuals and companies alike can operate in their own self-interest, but they must do so with respect to the common good. The important roles of political protection and the common good are central to Smith's theory that the economic machine should be built on a foundation of strong social and political institutions.

However, from the beginning, Smith's theories have been continually misinterpreted and/or selectively used by economists, politicians, and others. Most economists, to isolate one group, are trying to create their own preferred version of capitalism, how it forms and uses markets and relates to social and political institutions. They apply interpretations of theories, historical events, and their experiences to varying



degrees to transform or build on what they perceive is the optimal scenario for the use of the economic machine. Should the economic machine be used merely as a tool? Alternatively, should it shape how we interact and govern? Should its principles be omnipresent in every aspect of human life? Can it be used to measure or dictate happiness? The moral components, for the most part, have tended to be ignored and sometimes replaced with an almost fundamentalist promotion of individualistic economic actions tied to the concept of individual freedom in the current business environment.

Countries first engaged in globalized economic activities in Europe in the late 19<sup>th</sup> century. Although it was an attempt to move away from mercantilism to having more integrated and therefore interdependent economic relationship across countries, the experiment failed with the onset of WW1. It was not until the compounding economic, social, and political controversies of the 1970s that globalization was attempted again, but with what seemed to be little reflection on its 19<sup>th</sup> century failures. Again, it was shaped by the hegemonic elites, but this time it appeared as a form of extraterritorial imperialism (Soros, 2000) guided by a deterministic discourse that was heavily influenced by a market-fundamentalist ideology (Saul, 2005). An ideology featuring gross misinterpretations of Smith's self-interest and invisible hand theories being attached to a scientific use of economic policy and the 'free market' to develop and shape all other policy, including social and political. Even Milton Friedman, who espoused a simplistic view of perfection in the market, would likely not agree with how globalization contributed to the normalization of anti-competitive practices and gross inequality. The startling problem of the deterministic discourse was that it blindly follows one path until consequences emerge, then those guided by it ask why no one challenged their ideas. However, it is difficult to challenge a deterministic discourse, in this case an economic paradigm, when one would be instantly considered not credible for doing so in the first place (Stiglitz, 2010).

Associated with the rise of globalization is the growth of the multinational corporation (MNC). As markets opened up and became more integrated, companies found ways to use the resulting opportunities to exponentially grow in size and influence. As nation-state power decreased, the power vacuum was partially filled by MNCs. However, a missing element of many MNCs' business practices could be

associated with the normalization of self-interested behaviours that appear to disregard substantial parts of Smith's desire for the consideration of the common good. It is not to say that what companies did, and continue to do, in their own self-interest is wrong, but social and political groups indicate a growing desire for MNCs to adopt additional responsibilities to compensate for their new scope of influence and the perceived negative effects of their actions and behaviours. Out of these 'responsibilities' emerges the growing field of CSR, which has become a common aspect of business strategy.

While the discussions about various explicit and implicit social responsibilities that businesses should address have been discussed since the beginning of commercial enterprise, its formation as a construct termed CSR has only recently developed over the last fifteen to twenty years. This rapid expansion, along with the involvement of many stakeholders (scholars, NGOs, governments etc.), has resulted in the notions constructing CSR being pulled in many normative-based directions. Regardless of the directions that CSR has and is being shaped, it has become a prominent and potentially transformative socio/cultural and economic force. Rising expectations for greater accountability by both business and governments displays how global society's awareness of the negative repercussions created by globalization is shaping, in part, the social construction of CSR as mechanism to harmonize the societal/business relationship. However, since it has been theorized that engaging in CSR activities may become a requirement to remain competitive in the future (Googins et al., 2007; Bennett et al., 2009), it can be assumed that business would also have an interest in how the evolving construct develops, including its applications.

The pharmaceutical industry has gone through substantial growth and development during the 20<sup>th</sup> century. It went from being based on inexact science that was virtually unregulated and, consequently, featured numerous charlatans and sometimes-disastrous health outcomes to a heavily regulated global industry that generates substantial profits and is protected by monopolistic property rights (patents). Throughout this period, the overall health benefits created by innovative medicines have been unquestionably enormous. However, controversies regarding the actions and behaviours of companies within the industry have called into question how it manages the potential for conflicts of interest that can arise when companies are involved in for-

profit healthcare. Continuing and new controversies batter the industry's already poor reputation and, consequently, has resulted in a growing push for greater transparency and accountability by pharmaceutical companies.

The industry's explicit link to societal interests (healthcare), composition of mostly MNCs, and its affiliation with and role in continuing controversies that plague its reputation makes it an optimal environment to examine how and why it is or is not engaging in CSR strategies. What has remained unclear is what motivates pharmaceutical companies to engage in CSR and what role has external pressures played in shaping those same motivations and CSR engagements. As a result, it is important to understand from the perspective of those within the pharmaceutical industry as to why and how they engage in CSR.

### **1.5 Purpose of Study and Research Questions**

The purpose of my study is to examine CSR within the pharmaceutical industry; specifically, to fill the gap in the literature regarding the industry's perceptions of the topic. To achieve this goal, the following research questions were proposed:

- 1) Why do pharmaceutical companies engage in CSR?
- 2) How do pharmaceutical companies engage in CSR?

### **1.6 Research Process**

Research to examine CSR within the pharmaceutical industry was conducted over the last three years using qualitative methods and a conceptual framework developed for the project. Executives and/or managers in the pharmaceutical industry with intimate knowledge of their CSR programs were recruited for the study. Semi-structured interviews were conducted with those executives/managers agreeing to participate. Collected data was coded, categorized, constantly compared, and further analysed in memos and diagrams.

The research findings will be disseminated through summary reports to the participants and the pharmaceutical companies they represent, as well as through conferences and peer-reviewed publications.

## **1.7 Organization of Thesis**

The thesis begins with a literature review of CSR in general, followed by the literature specific to the pharmaceutical industry in the US and Canada (Chapter 2). The methodological framework and methods used in the research are presented in Chapter 3. Chapter 4 focuses on the results that comprise the substantive theory. The final chapter (5) is an in-depth discussion of the constructed theory, including its implications, verification, and how it is enhanced and modified by institutional theory.

## **2. Literature Review**

### **2.1 Outline**

The literature surrounding CSR is extensive, and scholars have developed a substantial number of concepts, theories, and perspectives that attempt to explain CSR and its development and emergence as a global business trend. There follows an explanation of the difficulties associated with defining CSR, the theories that attempt to explain it, and its emergence as a global business trend.

An examination of current CSR consists of perceived responsibilities of CSR and how these are associated with various types of CSR practices, the drivers and motivators that influence decisions to engage in such practices, and the underlying relationship between business and society that is being increasingly emphasized. To illustrate the relationship between these components, a conceptual model of the CSR decision-making process is presented. The general examination of CSR finishes with two sections. The first pertains to the functioning of organizations within the business environment and how factors such as history, leadership, and values influence decision-making. The second details the current CSR environment in Canada and the USA.

After reviewing how CSR has developed and operates within the current business environment, CSR within the industry is examined to construct an understanding of the industry's self-proclaimed dual role, and the societal expectations that result.

The final two sections of this chapter detail the possible reasons that the industry should engage in CSR and the strategies for it to be comprehensive. In the final summary of the literature review, observed connections between CSR and the pharmaceutical industry are discussed and, consequently, the gaps within the literature are then identified.

### **2.2 Corporate Social Responsibility (CSR) in the Modern Business Environment**

#### 2.2.1 Defining CSR

Defining CSR is challenging, as there are many, sometimes conflicting definitions that attempt to explain its governing concept(s) using normative social constructions

that can vary across cultures, regions, etc. One such governing concept is reflected in the following reasoning for CSR: “Economic organizations such as corporations are responsible to their shareholders, employees, and stakeholders” (Oketch, 2005, p. 31). This reasoning supports the argument that corporations should no longer prioritize maximizing profits and shareholder value because they have responsibilities to other groups as well. Instead, it promotes the expansion of responsibilities to include a variety of stakeholders (Campbell, 2006; Bennett, Gobhai, O’Reilly, & Welch, G., 2009; Googins, Mirvis, & Rochlin, 2007; Frederick, 2008).

There are many viewpoints, however, as to whom or what constitutes a stakeholder and whether or not they should even be considered in the decisions of the corporation. Furthermore, there are also many potential stakeholders, including individuals and groups in the workplace (employees), the marketplace (customers, suppliers), government, and the community; as well as non-governmental organizations with very specific interests such as the environment, ethics and human rights (Moir, 2001).

The idea of addressing any perceived responsibilities to stakeholder(s) other than shareholders by engaging in CSR-type activities is viewed by some as a violation of free-market principles. For instance, Milton Friedman (1970) wrote an opinion piece in the New York Times that focused on debunking the validity of companies engaging in anything other than strategies that will increase their profits. He attributed CSR to socialism, and therefore deemed it undemocratic and against the basic tenets of true freedom:

This is the basic reason why the doctrine of “social responsibility” involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses. (Friedman, 1970)

According to Friedman, businesses and markets are amoral, and as a result should not venture into what he considered social policy. He surmises that issues of morality should be dealt with in the political realm. As far as the market and businesses are concerned, as long as everyone is operating in their own best interest, free of coercion, and with access to full information, the benefits will balance. CSR imposes an additional tax and constrains the freedom of corporations. CEOs that engage in CSR

are effectively stealing from the shareholders. Overall, Friedman believed that under perfect market conditions, competitive practices to increase profits were the singular social responsibility of corporations.

However, others argue that, “the amorality of markets makes it all the more important that social values find expression in the rules that govern markets” (Soros, 2000, p. 142). The purpose of CSR must be, in part, a response to the gaps or the absence of social values in those rules because, “rules are made by the authorities, but in democracies the authorities are chosen and influenced by the players” (Soros, 2000, p. 142). Improper influence over the social values that govern the rules of the market may have contributed to situations where exploitation, abuse, and/or coercion are possible. Soros (2000) finds that the contrast between market values and social values is that the former is based on competition and winning, while the latter is about “doing the right thing, win or lose” (p. 155), and “if the profit motive is allowed to dominate the political arena, society is deprived of any moral basis” (p.157).

Examining Friedman's theoretical perspective of the perfect market in comparison to those operating in reality, it becomes apparent that it has substantial flaws because it hinges on concepts of perfection, which appears to be unattainable due to the faults in human nature. As Soros (2000, p. 145) explains the underlying reasoning for such positioning:

Yet the market-fundamentalist ideology has managed to establish perfection as the standard. It claims that markets are perfect in the sense that they tend toward equilibrium or at least correct their own excesses; we should therefore rely on the market in our political decisions to the greatest possible extent and measure the performance of politics against market performance.

Overall, any failure to create and sustain anything but what can be considered perfect or near-perfect market conditions will result in imbalances.

Externalities, agency problems/costs, and imperfect information (Stiglitz, 2010) represent examples of market failures that put into doubt the existence of conditions for the perfect market. Externalities are costs or benefits that affect those that were not part of a transaction (e.g. pollution from cars). Also known as external costs or benefits (Frynas, 2009), individuals and businesses alike can either unintentionally or intentionally engage in activities that affect parties not directly engaged in the business

exchange.

When shareholders hire people to run their company, those specific employees (executives) become their agents. One example of an agency problem/costs is when inflated and/or improper incentives (e.g. profit-based pay) entice agents to search for short-term benefits while disregarding the long-term consequences. An example of such agency problems was the actions of the CEOs and other executives at WorldCom and Enron. These executives instituted the use of a mix of creative and illegal accounting practices to produce short-term gains, but, in doing so, caused colossal long-term damage when these practices were discovered and the companies eventually went bankrupt as a result. The rippling effects resulted in social and economic damage to many people directly involved with company operations as well as the many people affected by the loss of their pensions or other moneys invested in the stock market.

A perfect market also assumes that everyone has equal access to complete information about the scarce resources being allocated in the market, or at least if the market is slightly less than perfect, then the same applies to information. Stiglitz (2010) found that the latter part of this statement—the focus of which garnered him the Nobel Prize in economics—is unrealistic and even a small amount of imperfection in the market can lead to substantial information asymmetry.

The compilation of the existence of, and potential for, such examples of market failure show, according to Stiglitz, Saul, and Soros, among others, that the assumption of markets operating under perfect conditions are naturally self-correcting in the face of adverse events (e.g. the current recession) is not realistic. Stiglitz (2010, p. 281), using the financial sector as an example, describes what he perceives as the consequences for societal-wellbeing by the adoption of market-fundamentalism:

Economics, unintentionally provided sustenance to this lack of moral responsibility. A naive reading of Adam Smith might have suggested that he had relieved market participants from having to think about issues of morality. After all, if the pursuit of self-interest leads, as if by an invisible hand, to societal-wellbeing, all that one has to do – all that one should do – is be sure to follow one's self-interest. And those in the financial sector seemingly did that. But clearly, the pursuit of self-interest – greed – did not lead to societal well-being, either in this episode or in the earlier scandals involving WorldCom and Enron.

How such market failures affect societal wellbeing, and how individuals,



governments, and corporations perceive them may be linked to the growing drive for acknowledgement of and responses to the various normative concepts comprising CSR. Could the growing realization and therefore public resentment of the resulting imbalances, inequalities, and the costs of externalities, agency problems and imperfect information, among other market failures, be reasoning for the growth of CSR?

Externalities and other market failures are not the exception but the rule. If that is the case, it has profound implications. There is meaning to individual and corporate responsibility. Firms need to do more than just maximize their market value. And individuals within corporations need to think more about what they do and the impacts on others. They cannot get by by saying that they are “just” maximizing their incomes. (Stiglitz, 2010, p. 283)

### 2.2.2 Responsibility and CSR

The concern expressed by growing bodies of society is that corporations are not meeting their responsibilities as they relate to the common good. A number of responsibilities are identified in the literature include the following examples by Moir (2001, p. 19):

- 1) Treat employees fairly and equitably;
- 2) Operate ethically and with integrity;
- 3) Respect basic human rights;
- 4) Sustain the environment for future generations; and
- 5) Be a caring neighbour in their communities.

Moir appears to be attempting to list a set of universal responsibilities, but universal agreement on those responsibilities is not realistic due to normative differences. For example, what may be perceived as a norm in one region and criterion for judging the level of responsibility of the actions and behaviours of companies (e.g. level of philanthropy) may be not prioritized in another (e.g. level of volunteering over philanthropy). Additionally, scholars generally provided a definition of CSR, from which the responsibilities can generally be extrapolated. As a result, the variance in definitions and responsibilities appears to be similar and related.

A possible result of the normatively based lack of consensus is the fact that there is no consistent form of regulation for CSR. Corporations are free to choose whether or not to engage in CSR and the responsibilities they want to endorse (Levis, 2006; Givel, 2006; Sahlin-Andersson, 2006). However, a range of conflicts may arise if, for example,

they do not engage in CSR or endorse responsibilities that clash with the norms of their business environment.

While there has been no direct regulation to mandate CSR engagement, various European countries have instituted indirect regulations to promote it. Denmark, Germany, Finland, France, and Sweden have all implemented corporate disclosure requirements that vary in terms of reporting social and environmental policies and practices, while the UK has taken a different route by issuing voluntary guidelines for social reporting (Moon & Vogel, 2008).

From civil society, the Global Reporting Initiative (GRI) has emerged with a CSR reporting framework that “can be used to demonstrate organizational commitment to sustainable development, to compare organizational performance over time, and to measure organizational performance with respect to laws, norms, standards and voluntary initiatives.” (Global Reporting Initiative, 2011). GRI is a non-profit group or NGO that relies on a large number of diverse and interconnected stakeholders to constantly build and maintain a widely used and sustainable reporting framework (Global Reporting Initiative, 2011). With all of the differences among businesses, industries, countries, and cultures, it would likely take a global initiative to create an adequate reporting framework; however, it is unlikely that a universal framework could account for the variation in differences across industries, regions etc., unless it is modifiable and flexible enough to conform to normative differences.

Two other CSR promotion strategies are the social labelling of products and socially responsible investing (SRI). Social labelling has occurred in various European countries, and involves providing businesses with the option to submit products for inspection and certification (Buckland et al., 2006 cited in Moon & Vogel, 2008). Once a product passes the inspection, it can be labelled as produced in a socially responsible manner. SRI refers to the process of using ethical, social, and environmental criteria as a guide for pension fund managers and other institutional investors when they make investment decisions (European Commission, 2004). Investors interested in supporting SRI are able to identify and support those institutions that use this process.

The promotion of CSR rather than its mandatory regulation could represent a softer push by NGOs and other groups. By creating awareness and a discourse of

business opportunities, CSR engagement may help influence a greater adoption of such practices and policies. It also has the potential to present viable alternatives to previous modes of business.

With a range of persistently conflicted perceptions about the inherent responsibilities of a corporation, it is understandable that a number of contested notions. Doanne (2005, p. 219-221) identifies four such notions:

- 1) Voluntary reporting improves performance;
- 2) Voluntary codes and management systems change corporate behaviour;
- 3) The consumer will drive change; and
- 4) The investment industry can provide the strongest incentive for CSR.

Criticisms of voluntary reporting, voluntary codes and management systems include manipulation, self-editing and interpreting of codes, and lack of compliance (Sahlin-Andersson, 2006; Levis, 2006). Basically, if companies are required to report on their CSR ventures, they still have leeway to shape and/or withhold information; control over transparency still remains at the discretion of companies. However, constructing CSR-related reports, codes, and management systems means that companies have to think about the topic and engage in a discourse that has the potential to influence future actions and behaviours. Additionally, volunteer reporting using frameworks such as the ones produced by GRI hold companies more accountable and leave them with less leeway in what they report.

It is a popular belief that consumers drive change. However, a study of consumer spending habits in relation to beliefs surrounding CSR failed to find a strong link (Oppewal, 2006). For example, while survey data show that up to ninety percent of consumers consider CSR in their purchase and consumption behaviours, only ten percent or fewer actually engage in this behaviour (Vogel, 2005 cited in Smith, 2008). The statistics show that there is a substantial difference in stated and actual behaviours. Smith's (2008) viewpoint is that this phenomenon is caused by social desirability bias, whereby respondents provide answers that they think are the most desirable. It should be noted, however, that actual social movement of consumer demands for greater CSR cannot be simply dismissed as not being able to influence the decisions of companies.

With regard to the myth of the impact of investments, a sizeable section of the investment industry is pushing for 'green' and socially responsible investments, which

may challenge Doane's assertions about this contested notion regarding CSR. However, it can be argued that sustainable investment indexes such as the Dow Jones Sustainability Index (DJSI)(USA), NASDAQ Sustainability Index (Canada), and the FTSE4Good Index (UK) most likely react to perceived investor demands to categorize and list companies for investment based on CSR-related criteria, such as environmental and social practices. Although these may not be the 'strongest' incentive, they are a method, again, to increase the CSR discourse by acknowledging that some investors desire this type of benchmarking to inform their investment decisions.

Normative differences and contested notions of CSR influences result in an extremely varied landscape of CSR engagement, promotion, and regulation, where a multitude of forces, including companies, are trying to shape its discourse in an effort to strengthen their influence over its trajectory.

### 2.2.3 Types of CSR

There are numerous viewpoints regarding the types of CSR programs and policies that should be used in response to different social and environmental issues, and whether or not there should even be a response by companies (e.g. Friedman) (Lantos, 2001; Carrol, 1979; Porter and Kramer, 2006; Googins et al., 2007). Lantos (2001) proposes there are three types of CSR responses – altruistic, ethical, and strategic. Altruistic CSR refers to helping a group of people or even one person with no discernible benefit to the corporation, and involves a financial or another type of sacrifice on the part of the corporation. Ethical CSR seeks to protect those who may be harmed, or to support those who have been harmed by the normal operations of the corporation. Strategic CSR, the newest form of CSR to be defined, seeks to infuse social responsibility through the overall business strategy of the corporation to create a competitive advantage for the business.

Whatever the type, CSR can be either proactive or reactive (O'Dwyer, 2002; Porter & Kramer, 2006). Proactive CSR refers to being prepared for probable situation(s) by planning CSR programs for the future, while reactive involves adjusting and reacting to issues or risks using various types of CSR once a situation has occurred. Altruistic and ethical CSR can be either proactive or reactive in design. For

example, altruistic and ethical CSR programs can be implemented to rectify a problem such as recalling a defective product. As well, both are used to plan for possible future problems as a way to mitigate the risk of financial damage or loss of reputation for the corporation.

By its very nature, strategic CSR is proactive, and not reactive, because its purpose is to take advantage of possible opportunities through planning. Based on the literature, there appears to be a push for companies to adopt more proactive types of CSR as these have the potential to drastically lower negative occurrences in the future, while also giving a competitive edge to the corporation. However, even proactive CSR seems to be reflexive in nature, in that it is a response to a perceived future risk—react now because it will be harder to do so in the future. By reacting, companies attempt to change or prevent future risks, but may unintentionally create new ones.

#### 2.2.4 Business Theories and CSR

Numerous attempts to examine and describe CSR have been carried out using established theories. Moir (2001) uses stakeholder, social contract, and legitimacy theories to explore the behavioural reasoning for engaging in CSR. Stakeholder theory looks at the groups to whom a corporation should be responsible:

Business can be understood as a set of relationships among groups that have a stake in the activities that make up the business. Business is about how customers, suppliers, employees, financiers, communities, and managers interact to create value. To understand business is to know how these relationships work. (Freeman, Harrison, & Wicks, 2007, p. 3)

Freeman (1984, 2007), advocating and theorizing about the concept of stakeholder management, believes there is a link between a successful, sustainable business and the proper management of stakeholders; a business strategy that starts by moving beyond a single fiduciary duty to acknowledging and using the relationships that companies have with their unique set of stakeholders to shape companies functioning according to “a different state of purpose” (p.5). Stakeholder management seeks to engage in a plurality of management approaches that have ethics and values at its core. By linking stakeholder management strategy to CSR, Freeman suggests a company should recognize a wider set of responsibilities through the identification of

societal expectations. Therefore, the resulting strategy should be executed in the spirit of ethical leadership.

Donaldson and Preston (1995) evaluated the concepts of Freeman and other stakeholder theories. They concluded, “stakeholder theory is intended both to explain and to guide the structure and operation of the established company” (p. 70) and “has been advanced and justified in the management literature on the basis of its descriptive accuracy, instrumental power, and normative validity” (p. 65). The three criteria (accuracy, power, and validity) that serve as the basis for their evaluation were found to be mutually supportive, with the normative base of the theory being foundational for its viability. Overall, the stakeholder theory for a successful, sustainable business appears to be an attempt to inject a reflexive morality into the actors that are using the amoral economic machine.

Social contract theory, in some ways similar to stakeholder theory, contends that there is an implied contract between businesses and society. Both are required to respect this social contract or face potentially punitive consequences (Moir, 2001). CSR is a method to ensure that the actions of the company will be viewed as living up to the contract. Notably, the notions that make up the contract are subject to the forces of social construction and therefore can vary across space and time.

Legitimacy theory requires that the actions and products of an entity (corporation) are “desirable, proper, or appropriate within some socially constructed system of norms, beliefs, and values” (Moir, 2001, p. 20), and will be discussed further as organizational legitimacy theory later in this section (p. 48).

Woodard, Edwards, and Birkin (2001), in addition to stakeholder theory, use agency theory to explain the relationship between CSR and business. Agency theory centres on the power relationship between a ‘principal’ and an ‘agent’. Principals are the members of society who grant or delegate agents the authority to run and operate a business. Agents are those who take authority from the principal and proceed to operate the venture in a manner that is, presumably, in the best interest of the principal (Bowie and Freeman, 1992). However, controversy emerges when agents decide to operate the business in their own interests, rather than those of the principal: “Agency theorists generally assume that agents seek their own interests, rather than those of the

principal” (Salazar & Husted, 2008). Therefore, shareholders attempt to incentivize agent adherence to their fiduciary duty through various forms of compensation (e.g. high salaries, stock options etc.) (Salazar & Husted, 2008).

In the situation where the agent operates ‘morally’ according to their fiduciary responsibility by running the business in a way that addresses the best interests of shareholders, there are three motivators to endorse CSR engagement: altruistic, coercive, and strategic (Salazar & Husted, 2008). An altruistic motivator perceives CSR as a morally necessary cost that results in a decrease in financial performance, but should result in some reputational benefits with stakeholders. A coercive motivator compels engagement in CSR activities to appear more legitimate and compliant with societal norms and values. A strategic motivator for CSR attempts to link CSR expenditures to a competitive advantage that will positively affect financial performance (Salazar & Husted, 2008).

Two types of agency theory that scholars have researched with respect to CSR are organizational legitimacy and political economy of accounting theory (Woodward et al., 2001). Organizational legitimacy theory is based on the requirement of a business or corporation to disclose its activities to secure legitimacy. The business must do so because there is a tacitly understood social contract between the business and society that obligates the company to engage in socially beneficial actions to receive legitimacy. The social norms and values construct their perspective of what a business must do to receive their mandate to operate (Woodward et al., 2001). The theory places a great deal of importance on a company's ability to be responsive to environmental and/or social issues that are affected by their operations. Additionally, the theory suggests that the principals hold the power in their relationship with their agents. A company response to these issues is then communicated or reported to the societal groups and the principals who have authority over decisions regarding the legitimacy of the company. Controversies can emerge if there are gaps in the company strategy to fulfill their side of the contract (Woodward et al., 2001)

Conversely, political economy theory suggests that the agent running the venture has the power to set, dictate, and design the agenda, with less reliance on the principal to grant legitimacy. CSR engagement and reporting are used ,therefore, to

communicate the perspective of the agent (executives) to the external world in an attempt to influence external perceptions. Rather than the principal requiring the agent to be reactive to societal values and expectations, political economy theory suggests the agent uses their communicative abilities to proactively re-shape societal perspectives and norms (i.e. assimilation rather than accommodation) (Woodward et al. 2001).

In his editorial about CSR (1970), Friedman uses the principal-agent relationship as the basis for explaining why it is wrong for companies to engage in any kind of CSR other than to increase profits. The principals (shareholders) have employed their agents (executives) to operate their company in a profitable manner. According to Friedman, agents are free to engage in CSR-type activities on their own time and dollar; but using the corporation to do so is tantamount to fraud. However, it may be possible for agents to direct their companies to engage in CSR if the purpose of doing so is to increase the financial performance of the company. For instance, CSR is justified, according to a Friedman-type perspective, if its attributed socially and/or environmentally oriented programs and policies are shown to increase goodwill or reduce costs.

Another prominent theory as to why and how companies engage in CSR is institutional theory (Frynas, 2009). Similar to organizational legitimacy theory, institutional theory postulates that for a company to survive it must maintain legitimacy within its business environment to remain socially fit (DiMaggio & Powell, 1983; Frynas, 2009). As a result, companies tend to copy the behaviours of others to remain legitimate through a process of institutional isomorphism (DiMaggio & Powell, 1983).

There are three mechanisms associated with the process of institutional isomorphism: 1) coercive – companies are encouraged and sometimes forced by regulators and others to engage in certain practices; 2) normative – similar training, discourse, philosophy across employees of companies leads to similar actions and behaviours; and 3) mimetic – executives and managers attempt to imitate other companies' strategies that are perceived to be more successful (DiMaggio & Powell, 1983; Frynas, 2009). Therefore, if the reasoning for engaging in CSR in a region or industry becomes institutionalized, it has a higher probability of being adopted by other



companies.

While exploring the reasoning behind CSR, these authors provide no clear evidence of a dominant theory or its relative influence. Although each theory adds perspective on the reasoning behind the behaviours of a company, it has been argued that these theories are inadequate because they fail to address the constantly evolving, re-defining, and normative nature of CSR (Frynas, 2009).

#### 2.2.5 CSR External Drivers and Internal Motivators

When the discussions about the responsibilities, types, and history of CSR are placed in the global economic context, it shows a social construction of accountability—made manifest in organizations such as GRI—that develops into a mix of both internal and external reasons to engage in CSR. Social (e.g. SRI) and political (e.g. CSR-related regulations) institutions are increasingly seeking accountability by corporations for how they have and can influence social and environmental issues. How corporations react to an external discourse that appears to exceed their previously singular fiduciary duty (profits for the shareholders) is a matter of great debate. One narrative that appears to resonate with corporations is that there are benefits (profits) in addressing these concerns, resulting in their own internal push for CSR. For the purposes of this review, the external and internal ‘push’ for CSR are referred to as drivers and motivators, respectively.

There are growing expectations within global society that corporations, to earn their legitimacy as members of the larger society, should be responsible, or accountable, for their actions (Oketch, 2005). It is likely that the majority of external drivers for CSR engagement have emerged as balancing factors between MNCs and society. These drivers may be viewed as a reaction to the freedom that corporations have to act in their own self-interest. Even though some of the corporations are global, monolithic entities, their increasing scope and power has served only to increase the impact of their actions, as well as society’s reaction to them.

Reflecting the probability that CSR is a response to growing desires for accountability by social and political institutions, the external drivers are identified by two categories: governance and license to operate (LTO).

Governing bodies or political institutions serve an important role in driving and developing CSR. Moon and Vogel (2008) identified three areas in which governing bodies have purposively or accidentally developed drivers for CSR. First, where government assumes a more central role, there is often less adoption of voluntary CSR initiatives. Using the USA as an example, Moon and Vogel explain that government with a more retracted role is correlated with greater levels of explicit CSR adoption (generally of the philanthropic variety)—a balancing factor. While in Europe, where governments tended to be more centralized, there has been historically more adoption of implicit CSR (values, norms and rules integrated into practices of corporations) (Matten & Moon, 2008):

Pasquero (2004) has argued that CSR in the United States is embedded in U.S. institutions and culture, particularly in the traditions of individualism, democratic pluralism, moralism, and utilitarianism. We argue that the distinctive elements of European CSR are embedded in the European NBSs [national business system], such as industrial relations, labor [sic] law, and corporate governance. (Matten & Moon, 2008, p. 409).

Second, the inadequacy or lack of regulations has influenced the creation of international and national CSR (Scherer & Palazzo, 2008). A governance deficit, most likely due to a combination of deregulation in some countries and inability to regulate in others, has increased because of the process of globalization. In an attempt to fill this void; there has been an increase in the development of “global civil regulation”:

Much of the growth of global civil regulation is rooted in the perception that economic globalization has created a structural imbalance between the size and power of global firms and markets, and the capacity, willingness, and ability of governments to regulate them. (Moon and Vogel, 2008, p. 309)

Excluding the governments of emerging economies that simply may not have the resources or capabilities to impose regulations on large MNCs, the unwillingness of governments to regulate may originate from the fear that regulation will reduce competition, and therefore negatively affect the economy—a prominent notion within the governing logic of the market fundamentalist ideology or neo-liberalism (i.e. dogmatic belief in the free market). Furthering the entrenchment of neo-liberal logic were global institutions such as World Bank (WB) and the International Monetary Fund (IMF), which, in the 1990s, “pressed for financial-sector deregulation, privatization, and trade

liberalization” (Stiglitz, 2010, p. 220). As instruments of post-colonial control, these organizations were especially vocal and influential in developing countries that were trying to develop and shape policy in an increasingly globalized world (Stiglitz, 2010).

Finally, governments can often confound the process of CSR development by displaying contradictory behaviours. Some governments have created policies or legislations to promote CSR through the encouragement of increased responsible actions (e.g. soft or hard regulation of reporting, SRI initiatives, partnerships with industry to produce voluntary codes, etc.). As well, international promotions have been designed and implemented by both nation-states and international governmental organizations (UN, World Bank, OECD, etc.). However, there has been little hard regulation that stringently dictates and enforces CSR engagement. This may be explained, in part, by the normative nature of CSR that makes the universality of hard regulations difficult, if not impossible, to apply to a variety of corporations in different industries.

In addition to government actions, four external drivers, that could shape a societal and political argument for CSR engagement, have been identified by the Organization for Economic Cooperation and Development (OECD) (OECD, 1999 cited in Oketch, 2005, p. 31):

- 1) New concerns and expectations from citizens, consumers, public authorities, and investors in the context of globalization and large-scale industrial change;
- 2) Social criteria increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors;
- 3) Increased concern about the damage to the environment caused by economic activity; and,
- 4) Transparency of business activities brought about by the media and modern information technologies.

These drivers represent recent external pressures on corporations. When these pressures are combined with the existing drivers, the result is a broad and complex network of societal and political factors that somewhat pressures companies to engage in meaningful CSR (i.e. beyond philanthropy). The fourth driver, transparency, stands out as a particularly important driver. The transparency brought about by the modern information age via the media, Internet, etc. allows for greater access to information, which is a powerful tool to spread ideas and influence the social construction of

perspectives. Albeit, information technologies cannot be considered universally accessible, nonetheless, they are still an influential force in the realization and communication of social and environmental issues.

The four OCED drivers can be defined within the umbrella category of license to operate (LTO), which refers to situations where corporations require some form of permission (explicit, implied, or tacit) from government, communities, or other stakeholders to operate unhindered (Porter & Kramer, 2006; Benett et al., 2009). LTO is a somewhat ambiguous term in the literature; but it is a concept shared across organizational legitimacy, social contract, and stakeholder theories.

LTO is viewed by Porter and Kramer (2008) more as an internal motivator, an internal reaction to external expectations, but is better classified as a driver due to its capacity to initiate a motivating (internal) response by companies. LTO is the perceived need to obtain permission from groups external to the firm, which means that outside forces are effectively causing the corporation to act in particular ways. Each of the four drivers, presented by the OECD represent different forms of requirements for a LTO, albeit with varying influences on corporate motivations.

Governance is not included under LTO. Although the government plays a role in, and reacts to, the LTO for a company, the totality of governance has additional factors that can drive CSR. For example, the centrality of a government does not fall under the LTO category, but rather a response to the desires of social institutions.

One possible explanation for the development and expansion of these external drivers is that they are a response to controversial actions taken by corporations over the last 30-40 years; controversial actions that demonstrate a pursuit of economic benefit (profits) in ways that conflicted with basic and widely held social and environmental norms. Some examples include Nike and their abusive labour practices in Indonesia; Shell's decision to sink the Brent Spar oil rig in the North Sea; and the initial response of the pharmaceutical industry to the AIDS pandemic in Africa (Porter & Kramer, 2006).

In the past, it may have been easier to cover up or hide these actions or to rationalize them using the prevalent norms within a market-fundamentalist ideology; but, as explained earlier, a side effect of globalization and newer technologies is the

development of environmental conditions that support both voluntary and involuntary transparency by corporations. Notably, the high level of public access to information technology has resulted in the majority of the push for accountability and transparency emerging from more technologically advanced nations.

With the wide use of information technologies among non-governmental organizations, public authorities, and concerned consumers, there seems to be more and more eyes watching the actions of corporations. These groups and individuals act as concerned spectators by pressuring corporations to change their controversial practices (Shamir, 2005). The combination of all of these groups and individuals creates levels of social awareness and action that have the potential to push corporations or even whole industries in a specific direction. For example, NGOs and activists have undertaken both legal and non-legal campaigns to publicly shame corporations for their controversial actions (Porter and Kramer, 2006; Shamir, 2005).

Legal action can also occur if the controversial issue is viewed as violating a country's laws or regulations. Examples include Royal Dutch Shell being sued for conspiring with the Nigerian government against the Ogoni people and Coca-Cola being sued over claims they should be held liable for the activities of paramilitary units who terrorized and murdered union organizers at a bottling plant in Colombia (Shamir, 2005).

Outside of judicial systems, campaigns have consisted of "consumer boycotts, divestment programs, and popular protest in order to pressure MNCs to adopt responsible business practices" (Shamir, 2005, p. 99). Aiding in the process of greater access to information are groups such as Wikileaks, which publicly distribute confidential information regarding the actions of governments and corporations. Most notably, communications by the US government with regard to diplomatic cables involving both the Iraq and Afghanistan wars were publicly released verbatim, which resulted in public outcries against both Wikileaks and the US government (The New York Times, 2011).

In addition to external factors, internal pressures have created a diverse range of motivators that may entice corporations to engage in CSR. Motivators to engage in CSR include the reasons to create new benefits for a corporation, avoid current or past

controversies and problems, deal with employee attraction and retention issues, and even maintain the status quo. These motivators can range from dealing with reputation issues to basic altruistic endeavours (Porter & Kramer, 2006; Bluestone, Heaton & Lewis, 2002; O'Dwyer, 2002; Oketch, 2005; Moir, 2001; Lantos, 2001; Frankentel, 2001; Levis, 2006; Bennett et al., 2009; Frynas, 2009; Kurucz, Colbert, & Wheeler, 2008).

Reminiscent of other aspects of CSR (i.e. definitions and responsibilities), the area of motivators has become saturated, unorganized, and convoluted with concepts. In general, categorizing motivators into broad encompassing groupings is not common. However, one exception is Porter and Kramer (2006), who identify moral obligation, sustainability, license to operate, and reputation serving as the most appropriate categories by which to group the fractured listings of motivators within the literature.

According to Porter and Kramer (2006), moral obligation is a motivator that stems from the idea that corporations should give back to the communities that surround them as the right thing to do. Moral obligation can be illustrated by actions such as philanthropy and community volunteering; actions deemed acceptable on an individual, but not a corporate level by Friedman. The issue of morality also ties into the theories of Adam Smith; however, his view was that morality should be a factor in how the amoral market is regulated to compliment the common good. What Porter and Kramer propose is the supplementary addition of more societal-focused morals and values into business operations, almost in reaction to what the company is doing and what it has done.

Sustainability refers to the corporation focusing on the environment and company stewardship to build a strong future for themselves and their communities. Green programs and community development programs are examples of sustainability-oriented CSR practices. They show an element of reasoning that companies require a healthy environment and community in which to operate if they want to have long-term success.

License to operate (LTO), as discussed earlier, is more appropriately categorized as an external driver of CSR rather than as an internal motivator for engaging in CSR.

The final category, reputation, refers to the leveraging of CSR to increase brand strength, improve image, and raise morale to increase the profitability of the firm.

Reputation is the most commonly discussed motivator for CSR engagement and, at times, one of the most morally questionable. The moral dilemma involves the accusation that it turns CSR into a form of public relations (PR) or marketing, rather than its intended purpose of addressing social and environmental issues:

Most CSR is motivated by a desire for an eventual return: a more compliant workforce, the smoother granting of planning permission, more amenable customers, or in the jargon of today's corporate affairs manager 'gaining a license to operate' or 'reputational assurance'. (Frankental, 2001, p. 20)

This concern is further articulated by Porter and Kramer (2006) because they argue that much of the current motivation for engaging in CSR centres on PR purposes. For example, tobacco companies use CSR in the form of donations and other philanthropic programs to take attention away from the health problems associated with their products (Givel, 2006). Ultimately, such dubious motivators can reduce the credibility and legitimacy of CSR, and possibly hinder the evolution and adoption of CSR. One reason for the CSR link to PR is that, "social responsibility has the most impact on profitability for companies for which advertising expenditures are large, so that they appear to gain most from responsible behaviour" (Heal, 2008, p. 232). As a result, companies with large advertising expenditures may spend more on advertising their CSR engagements, and thus, it can be perceived as a marketing tool rather than 'honest' CSR.

An evolution of the three basic motivators (moral obligation, reputation, and sustainability) is adopting a strategic approach to CSR: to integrate CSR into the business strategy to maximize benefits and thereby increase financial gains while still creating societal benefits (Porter & Kramer, 2006; Lantos, 2001). In merging CSR with business strategy, a more focused approach to CSR develops, which can result in better utilization of resources and greater benefits for all parties involved, or a win-win scenario. The merger of CSR and business strategy puts all of the knowledge and resources of a corporation into a mutually focused area, greatly increasing the probability of success in both financial and socially responsible terms, albeit theoretically. An example of this type of strategy is Toyota and its creation of the hybrid engine. The hybrid engine created a competitive advantage that helped bring Toyota to the status of the number one car producer in the world (sales and profit). At the same

time, the firm was able to take an industry leadership role with a proactive approach to 'green' issues surrounding vehicle emissions.

Whether the motivators for engaging in, and improving on, CSR strategies are moral obligation, reputation, or sustainability, the purpose of each from a corporate point-of-view is to increase the realized societal benefits and the financial success (profit) of the organization.

Hanlon (2008) presents two reasons that companies would be legitimately interested in CSR as a method to increase profits. First, managers perceive the act of pursuing profit as the socially responsible thing to do; business survives, workers remain employed, taxes are paid, governments create social programs, and shareholders are rewarded. Such a perspective of inherent CSR tied to businesses acting only in their own self-interest is entrenched in misinterpretations and distortions of Adam Smith's free market theory (e.g. Friedman).

The second reason is that CSR is the key to opening up future areas for businesses. CSR will become an increasingly important component of overall business strategy, which actually implements active use of CSR programs and policies. For example, operating in controversial industries and within developing markets with vulnerable populations will require companies to operate with more regard to societal constructions of their legitimacy, to reduce potential obstacles. Competitive advantages exist within the opportunities of these future markets, and CSR is a method to mitigate conflict and foster diversity with the intention of enhancing a business's relationships with stakeholders and society (Oketch, 2004). CSR provides companies with greater access to potential future opportunities.

Future business opportunities associated with CSR perspectives create a justification, and therefore the rationale, for a business case scenario by which to engage in CSR (Frynas, 2008; Bennett et al., 2009; Kurucz et al., 2008; Googins et al., 2007). How the business case for CSR translates into specific types of CSR depends on the perspective adopted by the corporation. There are four categories of business case scenarios for CSR that have been theorized by scholars (Kurucz et al., 2008):

- 1) Cost and risk reduction
- 2) Competitive advantage;
- 3) Reputation and legitimacy; and



#### 4) Synergistic value creation.

Cost and risk reduction refers to engaging in CSR as a means of reducing or removing current or potential risks to the business. A mix of reactive and proactive, simplistic CSR programs would be used as protection for the business. CSR is likely perceived by corporate decision-makers as an additional cost, which results in the likelihood that it would be dropped and not used in times when costs need to be minimized. Examples of such programs would be of the philanthropic variety.

Competitive advantage involves creating and implementing CSR programs that can provide or build an advantage for the business while also creating an external benefit. The business is “adapting to its external context in order to optimize the organization’s competitive advantage in its respective industry” (Kurucz, 2008, p. 89). External expectations identify opportunities to benefit both parties, thereby creating a distinct advantage for the corporation. An example of the type of program implemented under this category is creating an environmentally friendly product in a market that is typically not environmentally friendly (e.g. hybrid cars).

The reputation and legitimacy case assumes that the reputation of a company is directly tied to its legitimacy within its environment. Corporations examine their stakeholders’ expectations and use a combination of CSR and marketing to create programs that can be leveraged to increase their reputation, and thereby indirectly enhance financial performance. Actions and behaviours aligned to the expectations of stakeholders can create a competitive advantage for the company by strengthening their reputation and ensuring their legitimacy. An example of the type of CSR program attributed to this category is providing better access to expensive but necessary products for low-income populations (e.g. increasing access to pharmaceuticals in developing countries).

The synergistic value creation case is complicated in the sense that it layers stakeholder expectations onto waves of value (the whole is greater than the sum of its parts) that spans and connects multiple layers of benefits for all parties involved—a win-win outcome. A broad perspective is required to observe and identify the diverse expectations of a variety of stakeholders and then create programs with direct and indirect benefits that ripple across stakeholders and the company. The synergistic

value creation moves beyond just CSR programs and policies to become a guiding philosophy for the company, and is designed to construct value in every internal and external interaction. For the company focused on synergistic value creation, the entire business is focused on the interests of its identified stakeholders, under the assumption that it in turn make them a more sustainable and financially successful.

The perspective of the corporation with regard to CSR is very important in determining which strategies and types will be implemented. A shareholder approach to management can be attributed more to the first two categories, while a stakeholder approach better represents the latter two (Donaldson, 2008). Each managerial perspective has a different mix of motivators for engaging in CSR.

Overall, each of the four business cases seeks to leverage the opportunities created out of the CSR paradox. It is interesting that the current use of the economic machine has resulted in problems (e.g. externalities) that in turn provide potential economic and social advantages to the companies who can capture and strategically address the problems they may have had a part in creating.

As implied throughout this section, motivators to engage in CSR are not simply a response to external and internal calls to reduce the impact of harms or prevent future harms, but they are also a method to create different social and economic benefits for the engaged corporations. These include additional investing and improved reputation, but there are also internal benefits relating to employees, costs, productivity, and operational efficiencies (Knox & Maklan, 2004; Pelozo, 2006; Frankentel, 2001; Oketch, 2005; Willard, 2002).

Akin to motivators, benefits are not isolated in a singular manner. For the majority of these benefits there are overlaps and connections that can result in a chain reaction. That is, an effective CSR program that results in the desired social benefits would likely have a ripple effect that generates additional benefits for corporations such as increased employee morale. However, and most notably, it remains contested terrain whether or not a direct and positive relationship exists between engaging in CSR and financial performance (Orlitzky, 2008).

Even though a direct link has not been verified, there appears to be substantial indirect benefits that might result in greater financial performance for companies

engaging in various forms of CSR. For example, companies with perceived stronger CSR programs experience higher levels of employee recruitment, retention, and loyalty, with corresponding increases in workforce productivity (Willard, 2002; Googins et al., 2007; and Bennett et al., 2009). Costs are also reduced for companies due to lower levels of turnover and less need to train new employees. Competition for high level talent is increasing and has placed the power of choice more into the hands of future employees; a new workforce increasingly guided by the CSR-related actions of an employer and less by financial incentives (Bennett, et al., 2009). These newer employees are more often attracted to jobs where they can have a flexible work schedule, a challenging position, opportunities for advancement, and above all else, a vision or mission that is dedicated to helping a wide range of stakeholders (Willard, 2002; Googins *et al.*, 2007; Benett et al., 2009).

Internal motivators for CSR are influenced by, or a direct result of, external drivers, and they become incentivized by the potential benefits that the corporation can receive from being both socially and environmentally responsible. Willard (2002) describes the “*triple bottom line*” as companies expand their focus from the strictly economic to include environmental and social responsibilities. In the *Sustainable Advantage* (2002), Willard (2002) identifies seven benefits derived from pursuing a triple bottom line (economic, social, and environmental):

- 1) Easier hiring of the best talent;
- 2) Higher retention of top talent;
- 3) Increasing employee productivity;
- 4) Reduced expenses in manufacturing;
- 5) Reduced expenses at commercial sites;
- 6) Increased revenue/market share; and
- 7) Reduced risk, easier financing.

Willard's seven benefits attempt to illustrate the extent to which companies can gain by engaging in CSR with a focus on the triple bottom line. For example, developing and introducing environmental-friendly technology into the operations of a corporation can create multi-layered benefits that affect the entire organization. Ray Anderson, founder and chairman of Interface Inc., has integrated environmentally conscious strategies into the operations of his carpet manufacturing and installation company. Termed sustainability, the strategies, for example, have drastically reduced

waste while lowering costs, increasing profits, and building a strong reputation/brand (TED, 2009).

A possible hindrance to the triple bottom line approach is the considerable investment needed to begin these changes, especially for a large corporation. The lack of a direct link to financial performance and the significant short-term implementation costs could make it difficult for some decision-makers to justify engaging in the kinds of extensive CSR activities proposed by Willard. However, the potential return on the investment in the long-term can be substantial.

Overall, the interaction between the external drivers and internal motivators provides various notions of routes that can be followed while pursuing a CSR strategy. As a result, the various logics that rationalize CSR engagement can be determined by how the corporation responds to its internal motivators and external drives that are constructed in relation to and interactions with the social and political institutions within its business environment.

#### 2.2.6 Implications of a Symbiotic Relationship

It has been argued that society and business interdependently operate (Porter & Kramer, 2006; Scherer & Palazzo, 2008; Pruzan, 2008; Heal, 2008; Benett et al., 2009). The interdependent relationship between business and society has become intertwined with drive for CSR: “Where once the interests of companies and the public were thought to be antithetical, we can now see more clearly the symbiotic relationship that exists” (Benett et al., 2009, p. 17); for a corporation to be successful it needs a healthy society around it and *vice versa* (Porter & Kramer, 2006; Benett et al., 2009; Oketch, 2005).

Only a stable and prospering society will invest adequately in public infrastructure, such as communication, transportation, education and training, and health care, which are essential ingredients for successful business growth. (Standing Committee on Social Affairs, Science and Technology, 1999 cited in Oketch, 2005, p. 38)

On one hand, when a corporation is operating within a society, the health of the corporation is dependent on the health of that same society. For example, companies operating within devastated war zones have serious issues with regard to sustainability and growth because they simply do not have the environment that is necessary to

support their operations

On the other hand, a society's development is tied to the state of corporations because of the role of businesses in developing and fostering the economy through the creation of jobs and the production and sale of products and services. Without strong corporations and other types of businesses capable of developing the economy and providing jobs with taxable incomes, a society will be limited in its ability to develop due to the inherent limitations created by high levels of unemployment and/or an unstable economy:

Profit is essential for business expansion, leading to the creation of more jobs, which in turn lead to increasing savings and better economic times. Households and by extension societies are known to enjoy high levels of cohesiveness when they face less economic and budgetary constraints. (Oketch, 2004 p. 6)

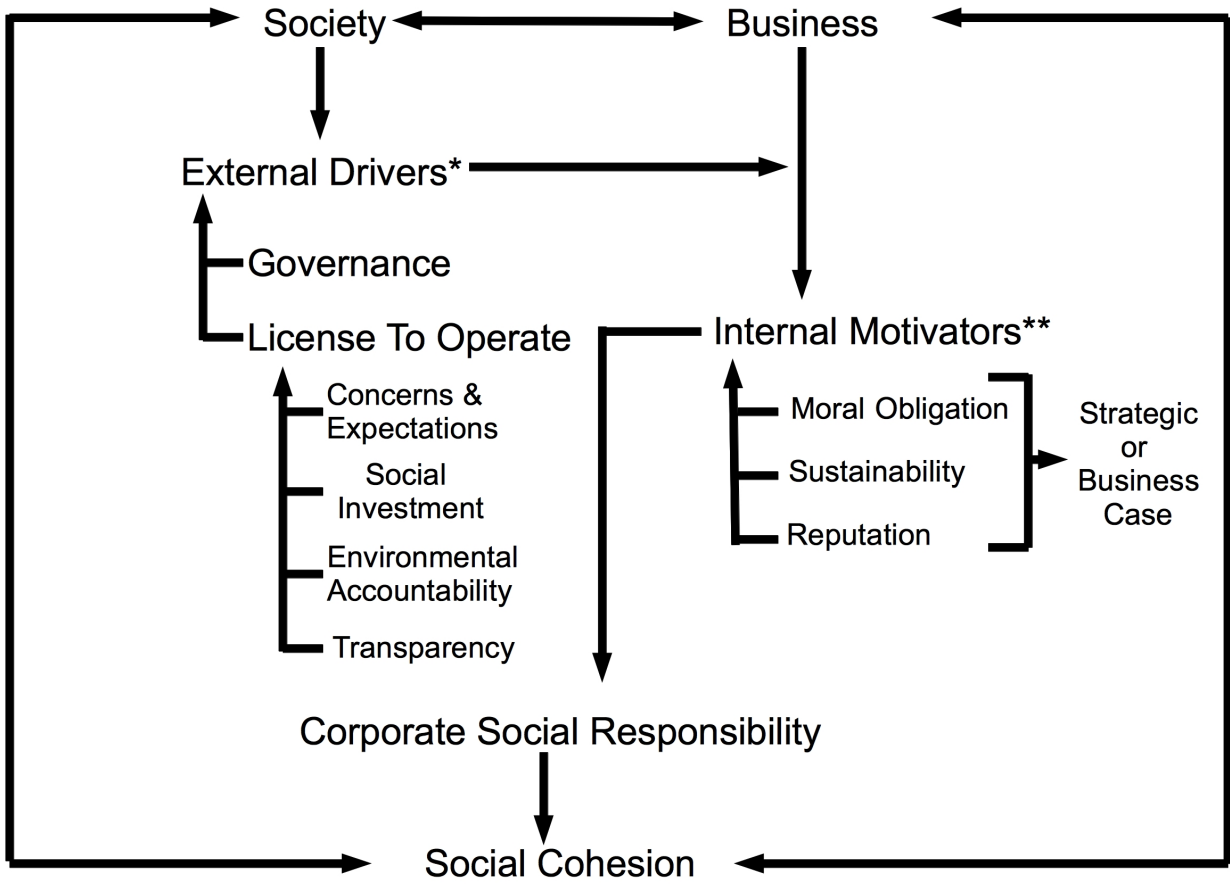
The interpretation of a symbiotic relationship can also be made from Smith's theories. According to Smith, individuals do act in their own self-interest, but it is their connection to each other through the common good that necessitates the presence of justice in how they use the economic machine.

Connectedness or social cohesion is the "interdependence between members of the society, shared loyalties, and solidarities" (Jenson 1998b cited in Berger-Schmitt, 2000, p. 3). The symbiotic relationship that exists between business and society requires a high level of social cohesion to build an understanding of each other's expectations and interests (e.g. how an individual or corporation's actions can affect the common good): "Connectedness with other people is important for a sense of well-being, and yet many of the changes in our society (USA) have undermined that sense of connectedness" (Stiglitz, 2010 p. 250). CSR as a responsive, conscious strategy towards making connections to and within society is an effective method to strengthen the social cohesion between business and society by managing and fostering diversity, and reducing conflict (Oketch, 2004). The costs of externalities associated with the operations of businesses can be reduced or mitigated; thereby reducing conflicts and supporting greater synergy between business and society. Social cohesion in relation to the influence business has on society revolves around the ability of businesses to manage conflicts, and is derived from its perceived legitimacy and trust from society (Oketch, 2004).

Based on this symbiotic relationship and the concept of social cohesion, the following definition best describes how CSR, as a transformative process, can better harmonize the operations of a business with the greater needs of society:

CSR blends and harmonizes economic operations with human community's social systems and institutions, creating an organic linkage between business and society. The end goal of this relationship is to achieve a balance between the firm's economic operations and the society's aspirations and requirements for community welfare. (Frederick, 2008, p. 523)

The concept of social cohesion and the symbiotic relationship between society and business represents the foundation for a conceptual model of the CSR decision-making process. The model presented below (Figure 2.1) provides an understanding for how CSR decisions are developed by businesses and how they might affect the symbiotic relationship. In the model, CSR is shown to directly influence the social cohesion between business and society. Social cohesion, in turn, feeds back into the symbiotic relationship between the business and society. The environment that businesses are required to consider in their decision-making processes is presented as internal (motivators) and external (drivers). The cycle and points of interaction combine to show the multitude of variables that can influence the equilibrium among business, society, and their social cohesion.



\* Modified from: OECD, 1999 cited in Oketch, 2005, p. 31, Moon and Vogel, 2008, & Porter and Kramer, 2006, p. 81

\*\* Porter and Kramer, 2006, p. 81

**Figure 2.1 Conceptual Model of CSR Decision-making Process**

The symbiotic (interdependent) relationship is represented at the top of the model by a bi-directional arrow between business and society. The balance that exists from this relationship is both an influence on and a partial result of the CSR decision-making by corporations. For example, if a company is already meeting or exceeding societal expectations, then there should be less pressure to further engage in CSR. The company's existing perspective of its role within the symbiotic relationship is at least in part shaped by the external forces (drivers) that represent its LTO expectations. The combination of LTO influences and the internal motivators for CSR develop through a business's decision-making processes and result in a unique strategy that is reflective

of their CSR perspective and how it may need to change. The resulting CSR strategy subsequently affects the level of social cohesion. For example, if a strategy is comprehensive and addresses areas of conflict (Oketch, 2004), then it is likely that social cohesion will be enhanced, increasing the balance in, and, consequently, health of, the symbiotic relationship.

### 2.2.7 The Link Among Values, Leadership, and Organizational Culture

Corporate perspectives on CSR and how these might translate into methods for engaging in it require an examination of the factors (values, leadership, and organizational culture) that construct these perspectives. These three main factors and how they interplay are discussed in this section of the literature review.

Values are integral to shaping the way people perceive the world and how they act within it. “Values are concepts people use to make choices, to decide courses of action, to explain and justify behaviours, to judge and to be judged” (Baker, 2005, p. 3). As the foundation of any culture, including those within an organization or business, values can be visualized as the core construct beneath the many layers of what it is comprised (Campbell, 2004; Hofstede, Neuijen, Ohavy & Sanders, G.1990). Organizational culture exists in the unconscious minds of members and is made manifest through the decisions and behaviours of its members (Campbell, 2004; Detert et al., 2000; Schein, 1999). Values also create the underlying ideology (i.e. the core) of an organization’s culture (Campbell, 2004 & Hostede et al., 1990). Each organization has its own distinct culture that stems from its own unique hierarchy of values. Individuals and groups within these organizations will also have their own distinct set of values and subsequent cultures that they will seek to align with those of the organization.

While values are unique to each individual and organization, similarities do occur within identified regions. Across regions, however, differences in values across organizations can increase substantially. For example, 75 percent of companies in Asia, 69 percent in Europe, and only 58 percent in North America include CSR in their value statements (Kelly, Kocourek, McGaw, & Samuelson, 2005). Interestingly, the US has been argued to be the CSR frontrunners during most of the 20<sup>th</sup> century, but the



previous statistics and other studies find that Europe has progressed ahead of the US (Aaronson, 2003; Hartman, Rubin & Dhanda, 2007). Furthermore, multinational corporations (MNC) may influence these statistics as it has been observed that headquarters that share core values with their subsidiaries in other nation-states tend to be more successful (Buchko, 2006). Additionally, it is difficult to define an 'exact' set of values. For example, just because a company communicates a set of values there is no guarantee that those values are actually directing their actions or employees automatically endorse or relate to them.

According to Buchko (2006), there is a strong link between the performance of an organization and whether or not the organization has designed a strong set of reinforced values that are embedded throughout the entire hierarchy of the organization. A successful organization tends to have identifiable and reinforced values that are strongly held by employees and management. Companies across the globe have identified the correlation between strong core values and performance—a connection that is possibly reflected in the statistic that 89 percent of companies are reported as having written value statements (Kelly et al., 2005). It is assumed, therefore, that values play a strong role in solidifying the social structure of an organization, but their presence also influences the functioning of operations.

In essence, values act as a company's internal compass, providing a clear sense of direction. Accordingly, core values permeate an organization and are a key consideration in major decisions and policies. (Sherman & Gurwitz, 2005, pg. 29)

The effectiveness of values is a function of how well they are embraced, presented, and committed to by the members of the organization (Sherman and Gurwitz, 2005; Grojen et al, 2004; Kelly et al., 2005). Therefore, to gain broad organizational "buy-in", leaders must lead by example; reinforcing and confirming the core values of the organization by reflecting these values in their decisions and policies.

While some scholars view the founding leader(s) of an organization as responsible for embedding the original values into the organization's culture, current leaders are expected to articulate a clear and compelling vision that expresses the desired values of the organization according to the current business environment (Grojean et al, 2004). Regardless, the leader of an organization is an integral part of

fostering and maintaining the external and internal trust necessary for the company to be successful and sustainable (Bennett et al., 2009). As a result, a leader must be able to back up the behaviours that they have vocalized by making actions that reflect their perceived behaviours.

Globalization has produced additional pressures on organizations and their leaders. Although globalization has increased the scope and power of MNCs, it is also linked to increased pressure on companies to conform to LTO requirements. Stakeholders increasingly expect company leaders to address issues surrounding sustainability, ethics, and culture (Benett et al., 2009). The combination of expectations places greater pressures on the leaders of large companies because they are often in the public spotlight where they can be scrutinized about any perceived wrongdoing. For example, Tony Hayward, former chief executive officer (CEO) of British Petroleum (BP), faced widespread public and governmental criticism for how he handled the Deepwater Horizon oil spill in 2010. A result of his public mishandling of the oil spill situation was his removal as CEO and transfer to Siberia as the director of a Russian-BP joint venture. The decision of the board to replace Hayward was a reaction to societal and political backlash over his personal actions during an environmental and social disaster, in addition to BPs operational failure in handling the crisis (Macalister & Clark, 2010).

The increasing awareness of business leaders and their companies of an expanding range of expectations from society may help them to identify a business case for the adoption and integration of CSR into their companies (Pruzan, 2008). However, it is not as simple as having a CSR conscious leader in place for such a transformative process to take place. Even if the leader(s) are CSR-minded, they may not have sufficient justification to pursue it. "In fact, there is little data to suggest that just because a senior manager in a large and complex firm wants to implement a particular policy, then it automatically happens" (Mackey, Mackey, & Barney, 2008, p.540). For instance, in a company more or less guided by a shareholder perspective, it would be difficult to pursue a large-scale synergistic CSR strategy if the leadership could not explain how it would benefit the company's bottom line. The difficulties associated with CSR as a long-term strategy with indirect financial benefits could be alleviated, however, if it had a link to improved short-term cash flow or market value benefits

(Mackey et al., 2008). Since the direct financial benefits are somewhat nebulous, and seldom occur, if at all, in the short-term, justifying a strategy as such poses many perspective-based obstacles for a company.

Overall, the values of an organization serve as criteria to judge and guide choices about actions and behaviours, making up the core of the organizational culture. They are developed by those who also constitute the organization; especially, the leaders who are tasked with providing guidance and further articulation of these values. The strength of core values and how well they are structured and reinforced throughout the company hierarchy are linked to company performance. The socially constructed, relational connection of values, culture, and leadership, form the company perspective. Depending on the company perspective and how the drivers and motivators of CSR influence it, a business case for CSR engagement can be constructed.

#### 2.2.8 CSR in Canada and the US

Despite being located on the continent and sharing a border, differences in the origins and histories of Canada and the United States (US) have resulted in two countries with distinct social, political, and economic perspectives. The US was born out of a revolution and the dramatic rejection of British rule. Canada did not go through a revolution, but rather a counter-revolution arising from negotiations and compromise with Great Britain. These distinctly different origins and other historical differences have created paths of influence and choice for each nation (Adams, 2003). For example, each country created a distinct, guiding, and value-laden philosophy: Canada – peace, order, and good government, US – life, liberty, and the pursuit of happiness (Adams, 2000). These distinct philosophies developed into a set of dogmas relating to what the founders (similar to those of a company) perceived as integral to a “good society” (Baker, 2005, p. 48). The historical context of each nation, therefore, can help to understand the normative preferences contributing to the current business environments and CSR.

With regard to Canada, there is not a large amount of information on CSR practices and the country’s overall business system (Bondy, Matten, & Moon, 2007). Based on the information that is available, it has been hypothesized that the reason for

the lack of formalized CSR regulations in Canada are the high levels of social capital. Specifically, it is suggested that there are higher levels of public trust that corporations are acting in an ethical manner and with consideration of the concerns of society, not just their financial bottom line (Bondy et al., 2004). This statement is reinforced by the results of the 2011 Edelman Trust Barometer (ETB)—an annual survey of citizens in 23 countries about trust in business, government, and media—that found that Canadian companies continue to be among the most trusted in the world by both Canadians and the citizens of other nations (Edelman Trust Barometer, 2011). The result of these high levels of trust may have caused Canadian corporations to be less concerned about external stakeholder relationships; focusing instead on building trust and relations with employees (Bondy et al, 2004), possibly aligning more with the concept of implicit CSR prominent in Europe rather than the explicit in the US (Matten & Moon, 2008).

Taking into account that Canada has a more centralized government than the US reveals a possible link between lower societal expectations for responsibility and a business environment that is more heavily regulated. Despite a strong regulatory environment that is more reflective of European countries, Canada has not followed the European trend by enacting any sort of CSR reporting regulations. In addition, voluntary adoption of CSR codes is not a prominent feature within the Canadian business environment. Some industries with a larger environmental and social impact, and therefore more susceptible to public controversy, such as mining, forestry, chemicals, and energy, have created voluntary codes.

The Conference Board of Canada has stated that the adoption of voluntary codes has been slow and not at all universal (Corbett, 2004). The Canadian Democracy and Corporate Accountability Commission (CDCAC) put forth a number of recommendations that, if followed, would make CSR engagement mandatory for corporations. Most notably, it would require the expansion of the fiduciary duty of a corporation to include the consideration of the business's impact on non-shareholders, customers, employees, and communities (Vallee, 2005). The push for further regulation may also relate to the findings of the ETB in 2011 that 84 percent of Canadians believe corporations should create shareholder value in a way that aligns with societal interest. In addition, 74 percent thought the government should regulate corporations to ensure

they act responsibly. However, even though it appears the Canadian public wants companies to operate in society's interest (common good), it has not translated into any regulations to ensure that it occurs.

CSR as a concept is widely believed to have originated in the US (Aaronson, 2003; Frederick, 2008). Nonetheless, CSR innovation in the US has slowed in recent years, leading to the perception that it is lagging behind most industrialized nations (Aaronson, 2003; Hartman, Rubin & Dhanda, 2007). It is further suggested that the US government has done little to promote national or global CSR (Aaronson, 2003; Hartman et al., 2007):

The British government has a coordinated and “ambitious” strategy. CSR policies are accepted and supported by business, civil society, and policymakers in the legislative and executive branches. In contrast, the United States has a wide range of often contradictory and unconnected initiatives. These initiatives lack consistency, coherence, clearly articulated principles, and long-term funding. (Aaronson, 2003, p. 309)

An example of the US government's inconsistency in promoting CSR is its interference in lawsuits of MNCs that have been sued because they were believed to be violating human rights (Aaronson, 2003). Aaronson uses the specific example of a lawsuit against Exxon Mobil. It was claimed that security forces hired by Exxon Mobil to protect its gas fields in Indonesia carried out murder, rape, and torture. The US government is believed to have dismissed the lawsuit because it could be harmful to American interests. Aaronson suggests that it is not possible to promote CSR while carrying out such contradictory acts. Furthermore, without the government providing support for the promotion for CSR, corporations subject to one of the main drivers to engage in CSR.

Interestingly, the ETB found in 2011 that the US was the only nation surveyed that saw trust levels decrease in every category—a period that coincided with the current recession (ETB, 2011). Similar to Canada (82%), US citizens (85%) thought businesses should align their shareholder value creation strategies with the interests of society, but only 61 percent (74% in Canada) thought it was the job of the government to regulate business responsibility (ETB, 2011). Although there was agreement in both countries on companies assuming a more symbiotic role, citizens of each appear to

disagree about the role government should play and whether regulations should be used to make it mandatory.

Overall, the limited information on Canadian CSR practices is not sufficient to compare them directly with the US. Neither country has the governmental regulation and promotion of CSR that is common in European nations. US-born executives lead many Canadian companies, and there is a strong relationship between the Canadian business elite and their counter-parts in the US, resulting in the possibility of similar business perspectives among Canadian and American corporations.

Canada's high level of dependence on the US market has likely led to some economic and policy integration, which is weighted toward the US. The result may be Canadian corporations conforming or aligning to the shareholder perspective that is common in the US (Adams, 2003). In addition, a large number of corporations within Canada are subsidiaries or affiliates of US corporations and it is in their best interest to share the same core values. Because Canada has some of the least restrictive foreign takeover rules in the world (Saul, 2008), the US and other foreign companies enjoy relatively easy access to many sectors of Canada's economy. Although both the US and Canada are in a deficit when it comes to local versus foreign ownership of businesses within their countries, in a seven-year span, starting in 2001, the US sold 2.1 percent of their domestically owned businesses to foreign-owned companies, while Canada sold 12 percent (Smith, 2008 cited in Saul, 2008).

While there is a great deal of overlap in CSR promotion and policies of the US and Canada, a direct link cannot be determined because of the lack of research into the area. The integration of the economies and businesses of the US and Canada has likely resulted in some similarity in the business perspective of corporations and how they engage in CSR, but each country's historical roots and experiences are different and remain extremely influential.

## **2.3 CSR within the Pharmaceutical Industry**

### **2.3.1 The Canadian Regulatory Framework – Function and Influence**

The following is a description of the current regulatory process for pharmaceuticals in Canada. The intention is to provide context and understanding of

the regulatory environment of one country, and how such regulations might affect pharmaceutical company operations in that country.

In Canada, “the Foods and Drugs Act gives authorization to Health Canada to regulate the safety, efficacy, and quality of therapeutic products” (Health Canada, 2006). The review process for drugs occurs in the Health Products and Food Branch (HPFB) of Health Canada. The overall purpose of HPFB is to ensure the safety, efficacy, and quality of human and animal drugs, natural health products, and medical devices that will be sold on the Canadian market.

Within the HPFB, Health Canada's Therapeutic Products Directorate (TPD) is specific federal authority responsible for the regulation of pharmaceutical products (drugs) and medical devices (Health Canada, 2006). A manufacturer must submit an application for a drug and supply scientific evidence that the product meets the three requirements set out by the Foods and Drugs Act. This evidence is further evaluated and reviewed by TPD using both internal and external experts. Additionally, “TPD also collaborates with scientists and agencies around the world, such as the United States' Food and Drug Administration and Australia's Therapeutic Goods Administration, who share our interests and goals” (Health Canada, 2007, p. 2). This relationship is also intended to reinforce the international harmonization of regulations concerning the safety, efficacy, and quality of therapeutic products. Regulatory collaboration occurs between countries to better manage the complexity associated with the scope, depth, and expertise required to perform these reviews. For example, comparisons of reviews can identify commonalities as well as differences and potential errors made by the regulatory agency of a country.

The review process includes both pre- and post-market inspections. The pre-market inspection, as stated earlier, examines the safety, efficacy, and quality of the drugs, to assess whether the risks outweigh the potential benefits (Health Canada, 2007). A post-market review routinely consists of three parts: surveillance, inspection, and investigation. Adverse reaction reports from the public, health professionals, and manufacturers are reviewed to decide whether any action needs to be taken. Possible routes of action range from public warnings to a recommendation for the company to remove the product from the market (Health Canada, 2007).

Regulating the advertising of health products (e.g. pharmaceuticals) also falls under the jurisdiction of Health Canada: “Our department is committed to ensuring that information in a health product advertisement is not false, misleading or deceptive” (Health Canada, 2011). “Specific regulatory provisions exist to limit the type/extent of advertisements of prescription drugs to consumers. Advertising of narcotic and controlled drugs to consumers is prohibited” (Health Canada, 2011). One example of such regulatory provisions is the prohibition against providing both the name of the product and its medicinal purpose in the same advertisement for those pharmaceutical products requiring a prescription (Dukes, 2006).

In Canada, the costs of some pharmaceutical products will be partially or entirely paid for by Federal or Provincial governments if they are part of a public drug plan or formulary. Notably, in Canada, there is a patchwork of 16 different provincial, territorial, and federal drug plans that “differ in the beneficiaries and drugs that they cover” (Canadian Agency for Drugs and Technologies in Health, 2011). Rather than having 16 different assessments of each pharmaceutical, the Government of Canada, in 2003, created a centralized drug review program, Common Drug Review (CDR), to coordinate the applications for drug coverage.

CDR reviews the clinical and cost effectiveness of the drug compared to alternative therapies, looks at whether the drug improves health outcomes and provides good value to the health care system. (Canadian Agency for Drugs and Technologies in Health, 2011)

The CDR provides this service for every federal/provincial/territorial drug plan, except for Quebec (Morgan, 2006). Importantly, CDR provides only recommendations, and each of Canada’s 16 drug plans has final authority over its own decisions, which are further influenced by “drug plan mandates, jurisdictional priorities, and financial resources” (Canadian Agency for Drugs and Technologies in Health, 2011).

Some concerns voiced with regard to the CDR process, include these: it delays the listing of drugs on public formularies (drug plans), is a barrier to patients’ access to new treatments, restricts choices patients compared to others countries, controls costs and does not recommend expensive drugs, and reviews lack input from relevant clinical experts. The Canadian Agency for Drugs and Technology in Health (CADTH), which oversees the CDR, explains that these concerns are myths, and provides statistical



evidence to counter the validity of each claim.

CADTH does not provide the sources of the myths, but it can be assumed by their content that the pharmaceutical industry would be interested in the validity of such claims since each can affect patient access to their products; thereby, impacting their financial performance. Listing products on drug plan formularies quickly is very important financially for pharmaceutical companies, especially in a country such as Canada that limits their ability to advertise.

It is apparent from the examples cited that Canada's regulatory framework influences the operations of pharmaceutical companies because of the restrictions and opportunities that it creates. For example, restrictions may delay pharmaceutical coverage on drug plans, but also opportunities for increased sales when coverage is granted.

Overall, the regulatory environment of Canada represents only one of the many that pharmaceutical companies must operate within as MNCs. Concerns about the safety of their products have led to an international web of experts assessing the safety, efficacy, and quality of pharmaceuticals. Assessments continue even after approval to report and monitor any unforeseen adverse reactions that may prompt a warning or removal, by companies, of the product from the market. Companies must also adhere to regulations about the advertising of their products. Submitting to each layer of regulation contributes to the overall costs of developing and commercializing drugs.

Particularly relevant for CSR research is how the regulatory framework of a country might influence company perspectives on their responsibilities to stakeholders and the common good; an intriguing question that remains contested and nebulous.

### 2.3.2 Perceived Responsibilities and a Drive for Greater CSR Engagement

Since the 'golden age' of innovation following WW2, the global pharmaceutical industry has become hugely profitable. For example, twelve pharmaceutical companies with combined profits of over \$65 billion are among the top 500 of America's largest corporations (Fortune 500, 2010). The profit margins associated with the pharmaceutical industry are also substantially higher than average; a situation of excessive profits that Adam Smith suggested as an indication of market mechanisms

failing and/or nation-states not properly regulating an industry's activities (Smith, 1776). For example, in 2009, Wal-Mart had \$408 billion in revenue with a total profit of \$14 billion, while Pfizer had \$50 billion in revenue with \$8.6 billion in profits (Fortune 500, 2010).

The pharmaceutical industry has become, and remains even during periods of recession and in spite of the controls imposed on it, one of the most profitable sectors of commerce. It sometimes experiences substantial setbacks but these tend to be short-lived and confined to certain firms; in the long run, it is only likely to grow by adjusting its course as to seize the successive opportunities which the health market has always provided and will no doubt continue to deliver. (Dukes, 2006, p. 7)

Most of the larger pharmaceutical companies are MNCs that face rising societal expectations to give back to society as a matter of a perceived license to operate (Shamir, 2005). However, unlike other sectors, the pharmaceutical industry's position as a collection of MNCs is unique because of its role as provider of healthcare (Nussbaum, 2009).

The role of a pharmaceutical company in a global economy is to research, develop, and produce innovative medicines that make a difference to sick people's quality of life, and it is their duty to do so in a profitable way. No other societal actor assumes this responsibility. (Leisinger, 2009, p. 7)

The pharmaceutical industry has a vital role to play in ensuring the availability and accessibility of 'vital medicines' because of their innovative and commercialization orientations and abilities (Greve, 2008). The industry's role in healthcare is also linked with the concept of every individuals' 'right to health', considered a fundamental human right by the UN Social and Economic Council (Greve, 2008).

With regard to pharmaceuticals, availability, accessibility, and affordability are the three key issues that should be addressed in support of the 'right to health'. The claim of Greve and Leisinger that the role of the pharmaceutical industry is linked to a perceived right to health implies a situation where people may believe that the common good has some claim on the property rights of pharmaceuticals; defined as a form of pluralistic property rights (Donaldson and Preston, 1995). Additionally, it is argued that because society provides the industry with extended rights of property (e.g. patents) resulting in substantial, possibly excessive, profits, the industry should acknowledge a

greater responsibility beyond operating in their own self-interests.

The TNPC's (transnational pharmaceutical corporations) conduct can have a positive impact on development and the enjoyment of the right to health since they have the capabilities, deliverables, knowledge, capacities or resources to contribute to better accessibility to vital medicines in a sustainable way. (Greve, 2008, p. 493)

The healthcare-related products of the industry can and do directly contribute to the health of populations around the world. Higher life expectancy, lower infant mortality, and better disease management are examples where realized social responsibilities of pharmaceutical companies have had a substantial impact on society. In addition, secondary economic effects can occur as healthier populations are also more productive (Djolav, 2008); an effect that is also linked to a country's level of development. For example, in developing countries where right to health issues are the most prevalent, the economic benefits from health improvements are substantially higher than in developed countries because of the interdependency of poverty and poor health (Leisinger, 2009).

While the pharmaceutical industry benefits from its image as a healthcare provider, its economic role as a for-profit business often creates conflicts of interest that have led to substantial criticism (Nussbaum, 2009). As discussed earlier, some argue that patent protection is essential for the industry to make it possible to achieve enough financial returns; thereby, funding further R&D to produce more innovative medicines (Leisinger, 2009). Others argue patent laws as they currently exist are ineffectual, and that reform is needed to promote innovation and better access to medicines (Angell, 2005; Bluestone et al., 2002; Saul, 2005; Stiglitz, 2010).

While significant, patents are just one of many areas of controversy relating to the inherent responsibilities of the dual role of pharmaceutical companies:

The products the pharmaceutical industry develops, produces and markets are related to crucial issues such as health, well-being and poverty, while developing these products requires huge investments and is heavily regulated. These diverse characteristics could easily give rise to contradictory interests. (van de Pol and de Bakker, 2010, p. 211).

As a result, a 'battle of perceptions' emerges between the pharmaceutical industry and its complex stakeholder environment of government, media, regulators, patient groups,

non-governmental organizations (NGOs), health professionals, and society (Esteban, 2007). This battle of perceptions appears to pit social and political perspectives against the economic.

The battling perspectives, and therefore expectations, involve three issues concerning the relationship between 'right to health' and pharmaceuticals: accessibility, availability, and affordability (Greve, 2008). Identifying, prioritizing, and addressing pertinent expectations from the plethora of stakeholders is a daunting task (Schneider, Wilson, and Rosenbeck, 2010) that is only made more difficult by the polarizing positions among industry actors, stakeholders, and society. These positions are believed to be stifling the process of seeking a constructive means to address major issues (e.g. drug access in developing nations) and, as such, would need to be discarded for progress to be made on these issues (Leisinger, 2009).

Differences in perceptions are not restricted to stakeholder groups; it also includes regional differences. For example, Cheah, (2007) studied the affect that product recalls have on shareholder wealth in the United States and the United Kingdom (UK) using the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index. US investors were supportive of companies with product recalls if they were listed on the DJSI, while UK investors 'penalized' companies with recalls if they were listed on the FTSE4 Good index. Traditionally, the focus on CSR in the US marketplace has been explicit (e.g. philanthropy), while in the UK, CSR is a far more implicit and integrated aspect of business (Matten & Moon, 2008) and, as a result, the implications of product recalls varied between countries. Therefore, stakeholders on a societal level also have varying perspectives of company responsibilities.

The growth and power of pharmaceutical companies has led to their ability to influence the political and social decisions of markets around the world (Saul, 2005). Such influence is controversial in its own right, but may be further scrutinized if companies, especially those involved in healthcare, use an economic prism as their primary lens for decision-making. Increasingly, social and political groups appear to be demanding a greater focus on the common good throughout the entire pharmaceutical product cycle, rather than one that is heavily prioritized on creating profits (Angell, 2005; Saul, 2005; Stiglitz, 2010). It is also unclear how Friedman would have reacted to such

a dilemma; although he was a staunch believer in the equalizing and beneficial power of every economic actor operating in their own self-interest, he also demonized the existence of monopolies and coercive practices that prevent perfect conditions in the marketplace.

Historically speaking, for the greater part of the 20<sup>th</sup> century, the pharmaceutical industry was well regarded, with high levels of credibility and trust with populations throughout the world (Parker, 2007). However, a multitude of continuing incidences, perceived as morally and/or ethically controversial by social and political groups, have repeatedly tarnished and consistently diminished the reputation of the industry. Can the moral and/or ethical controversies be understood as normative differences between companies and stakeholders according to how each perceives how the industry should be using their resources and capabilities? Whatever the reason, such controversies have greatly contributed to a declining reputation, and the pharmaceutical industry's general standing in countries around the world is now perceived as “next to malpractice lawyers, divorce lawyers, and immigration lawyers, the Pharma industry is probably the most disliked entity today” (Flaum, 2004, p. 50).

Despite erosion of their reputation, the pharmaceutical industry is still valued due to their potential to positively affect the health and sustainability of societies around the world. In addition to their primary role, the size, scope and wealth of the industry creates inherent responsibilities for the industry not only to supply new, innovative medicines, but also to support the provision of existing medicines to the two billion people who desperately need better access to them (AMI, 2010). In effect, legitimacy and moral obligation drivers/motivators are pushing the industry to generate profits in a more socially responsible manner as a way to enhance the quality of the relationship that exists between themselves, as a business, and society (Leisinger, 2009). But, as described earlier, the historically rooted competing interests of the industry's for-profit and healthcare roles have resulted in a situation where heavy regulation has been put in place in an attempt to adequately address safety and some social concerns (e.g. advertising). However extensive these regulations are, they apparently fall short in aspects relating to the original purpose of the industry while also failing to address the growing social and political concerns.

Where political institutions are viewed as failing or inadequately regulating or promoting action concerning social and political concerns, NGOs have attempted to fill some of the perceived gaps. NGOs have “initiated new alliances amongst themselves, created integrated NGOs, and engaged with TNCs (a.k.a. MNCs) to affect the changes they desire” (Fabig and Boele, 1999, p. 58). For example, the Access to Medicines Index (2010) provides industry benchmarking by ranking the drug access strategies of 27 pharmaceutical companies. The purpose of the index is to “encourage companies to act responsibly in this area and play their part in achieving improvements in healthcare at a global level” (ATMI, 2010). Recent examples of strategies that ATMI designated as notable methods to secure better access included: GlaxoSmithKline (GSK) reinvesting 20 percent of the profits made in developing countries back into the health infrastructure of those countries; GSK and Pfizer collaborating to create a HIV focused company (ViiV Healthcare) that now has seven HIV drugs in its pipeline as candidates to be provided at not-for-profit pricing and available for voluntary licensing; and Novartis supporting localized R&D in developing countries by collaborating with various regional institutions (ATMI, 2010). Designed to be transparent to its stakeholders, the ATMI benchmarking process seeks to identify areas of strength and weakness so that pharmaceutical companies might continue to improve their drug access strategies, while also being better connected to the expectations of stakeholders (ATMI, 2010).

Recent CSR activities of the pharmaceutical industry are not isolated to just developing countries, but include a diverse range of programs in developed countries as well. For example, Johnson and Johnson (J&J) has partnerships with professional associations, academic facilities, and healthcare systems (Nussbaum, 2009), while both Pfizer and Merck have developed or expanded drug access programs in the US that are intended to help offset the effects of the recession on people’s abilities to affordably access medicines (Wientraub, 2010).

To summarize, the recent uptake of CSR by the industry may be a response to changes in the economic, social, and political status of the industry so “that the pharmaceutical industry, having acquired a position of global power and wealth, has thereby also assumed worldwide the moral duties that go with that station” (Dukes, 2006, p. 266). What remains contested is whether they have actually assumed those

morally related duties or are just strategically responding for various reasons such as risk or reputation management. For instance, the numerous and continual controversial actions committed by various pharmaceutical companies challenge the veracity of the claim that CSR initiatives are not merely isolated actions, but represent a major priority for companies (Nussbaum, 2009). These controversies may have been or continue to be a normative wakeup call for the industry; causing it to act more responsibly with regard to both society and their stakeholders. Companies are now seeking a perception of responsibility, justified by the possibility of benefits, to leverage and achieve substantial benefits, both internally and externally (Scheider, et al., 2010).

### 2.3.3 Perceived Conflicts of Interest – Constructed Controversies

The unique dual role of the pharmaceutical industry in combination with the size and scope of its economic, social, and political influence has led to normative expectations from society to prioritize additional responsibilities beyond basic development and commercialization of pharmaceuticals. Contesting this statement is the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA cited in Roche, 2007, p. 1): “It should be underlined that the pharmaceutical industry’s primary role and social responsibility is to deliver new, innovative medicines.” There appear to be differing perspectives between society and the industry as to what constitutes social responsibility, with the IFPMA, which represents many pharmaceutical companies, linking the industry operating in its own self-interest to a natural and positive affect on the common good.

Societal expectations for greater responsibility appear to relate to the industry being more accountable for its actions in five areas of operations, while also fulfilling the industry’s self-described ‘primary role and social responsibility’. The five areas are: 1) product recalls; 2) direct-to-consumer advertising (DTCA) and industry-sponsored education; 3) pricing; 4) innovation and patents; and 5) drug access.

In placing the onus on the industry to meet society’s expectation, there are five areas of controversy that display the different perspectives of responsibility between the industry and society. Examples of these controversies are presented to illustrate the differing perspectives about responsibilities that, at times, divide the industry and its

supportive associations from a multitude of external groups (stakeholders and society).

### *2.3.3.1 Product Recalls*

In the past decade, the pharmaceutical industry experienced an increasing number of product recalls detrimental to both its reputation and financial performance (Cheah, Chan, & Chieng, 2007). In general, product recalls by pharmaceutical companies to take defective products off the market are voluntary, both in the North America and the United Kingdom (Angell, 2005; Cheah et al., 2007). In the UK and Canada, the Medicines and Healthcare Products Regulatory Agency (MHRA) and the Marketed Health Products Directorate (MHPD), respectively, have the ability to remove a defective product from the market. In the US, the Food and Drug Administration (FDA) has more limited powers, and can only recommend the removal of a product from the market (Cheah et al., 2007). However, a recommendation from the FDA to withdraw a product carries very real consequences for a company. A prominent example is the case of Merck and its popular arthritis pain medication, Vioxx, which acts as a nonsteroidal anti-inflammatory drug, or in other terms, a COX-2 inhibitor. The reason Vioxx was removed from market was that post-market surveillance of the drug identified an increased risk of heart attacks and stroke for those on the medications (Angell, 2005). The immediate financial and eventual reputational effects of Vioxx's removal to Merck were significant:

Merck's stock price fell about one-third on the day of the announcement (FDA's recommendation to remove Vioxx from the market), and the market analysts began to speculate gloomily about the company's uncertain financial future and legal liabilities. (Angell, 2005, p. 266).

In this example, the negative consequences in terms of reputation and financial performance were compounded by other actions taken by the Merck. Although recommended by the FDA, Merck was reluctant to put a warning label on Vioxx. In addition, there is evidence that Merck began to suspect there were potentially harmful risks associated with Vioxx in 2000, but did not voluntarily pull it from the market until 2004 (Cavusgil, 2007; Angell, 2005). Furthermore there were allegations that Merck had articles ghostwritten and published in peer-reviewed journals based on Vioxx clinical trials that they paid for and ran (Faunce, 2010). During that four-year span, it



was estimated that Merck spent \$50-100 million a year on advertising Vioxx to the public (Angell, 2005). While Merck has maintained its innocence throughout the course of these events, some of the firm's actions are questionable in light of society's concept of social responsibilities for the common good.

Operating in a manner that is overly focused on self-interest rather than the patients using Vioxx illustrates a fundamental conflict of interest that resulted in a controversy that went beyond original safety concerns. Controversy that can be perceived as an abuse of payers and patients that lack the expertise or experience to adequately evaluate the efficacy and safety of pharmaceuticals they are consuming (Australian Trade Practices Commission, 1992).

The information gap between the industry and the end-users of its products illustrates the vulnerable consumer base that is taking pharmaceuticals out of medical necessity rather than choice—a vulnerability that is easy to exploit. Therefore, various stakeholders and society, in general, increasingly view a proactive, rather than a reactive, response to the unforeseen risks of a product as an action that is more socially responsible and accountable:

In the area of product recalls, constructive responses to product defects by recalling defective products could be seen as positive efforts towards corporate responsibility and accountability; whereby the existence of what could be viewed as socially responsible practices (e.g. recalling defective products) could mitigate the adverse reactions arising from product recalls, and in doing so, protect the long-term interest of the stakeholders of the firm. (Cheah et al., 2007, p. 428)

#### *2.3.3.2 Direct-to-consumer Advertising (DTCA) and Industry-sponsored Education*

Direct to consumer advertising (DTCA) is the marketing of pharmaceuticals to the general population, and from the industry's perspective, serves to educate and empower the end-users of pharmaceuticals (van de Pol & de Bakker, 2010). There is, however, a growing concern about DTCA, including the advertisement and promotion of pharmaceuticals in general (van de Pol & de Bakker, 2010; Angell, 2005; Hawthorne, 2003). While the information patients receive from DTCA may lead to greater patient autonomy and empowerment (van de Pol & de Bakker, 2010), many are concerned about ethics of advertising pharmaceuticals in general and the potential effects of what is perceived to be biased information contained in advertisements. Consequences

include: inflated expectations, unnecessary demand for pharmaceuticals, higher priced drugs because of the inclusion of advertisement costs, self-diagnosis, and pressures on the doctor to prescribe certain pharmaceuticals (van de Pol & de Bakker, 2010). Therefore, “inappropriate medicalization carries the dangers of unnecessary labelling, poor treatment decisions, iatrogenic illness, and economic waste, as well as the opportunity costs that result when resources are diverted away from treating or preventing more serious disease” (Moynihan, Heath & Henry, 2002, p. 886).

Although widely employed in the US, the concerns about the negative consequences of DTCA have led to it being prohibited or severely limited in its use in the EU and Canada. Of greatest concern is that though there are regulations setting standards and guidelines on DTCA, there are often too few regulators to ensure full compliance (Dukes, 2006) and there are many ways to exploit its loopholes. For example, US television channels with commercials that feature DTCA of pharmaceuticals are easily viewable in Canada where available. Regulations only control DTCA within that country and do not have control over sources originating from a different one.

Another area of controversy for the pharmaceutical industry is their ever-increasing role in the education of health professionals, both during and after their formal training (Angell 2005). The ethical boundaries between some faculty members and pharmaceutical companies have become blurred, and, according to Angell (2005), it is not uncommon in the US for high-level faculty members of a health profession school to receive consulting fees from pharmaceutical companies. The impact of a faculty member’s association with pharmaceutical companies on their students is not clear and remains contested, but nonetheless this relationship is a focal point of controversy.

Regardless of whether the cause and effect of such controversial education practices has been proved or disproved, some educational institutions have taken action against it. Many prominent US universities have developed strong conflict of interest rules for physicians at their respective teaching hospitals to restrict or prohibit accepting money or gifts from pharmaceutical companies that engage faculty as speakers (Kowalczyk, 2010). Additionally, there has been concern over the funding

provided by companies in the pharmaceutical industry to professional medical associations (PMA), and increasing interest to tighten the rules around the possible conflict of interest that could arise. Recent proposals include requiring PMAs to reach a goal of \$0 funding from the pharmaceutical industry, no collaboration or profiting from industry marketing activities, and ensuring all those with higher positions in the PMAs are free from any conflict of interest (Rothman et al., 2009).

Due to the competitive nature of the industry, it is always looking for new ways to promote its products, but such practices may be perceived as unethical. Regulations are a response by governing bodies seeking to curb actions and behaviours that have been deemed unacceptable by those with the ability to pressure for or put such regulations in place. What remains unclear is whether the industry itself understood that what they were doing with regard to education and DTCA was unethical, or was it part of a culture where it was just the way things are done, or were social and political norms such that it was socially acceptable at the time that the strategies were introduced—an acceptance that was later revoked by society. Was the public aware of the possible implications of such strategies?

#### *2.3.3.3 Pricing*

In both developed and developing countries, the pricing of pharmaceutical products has been a significant point of controversy for the industry. The adoption and use by brand name companies of a high risk, high financial return business strategy, that is incentivized and stabilized by the global availability of patent protection, has resulted in what has been perceived as ‘what the market will bear’ pricing for products that are a necessity rather than a luxury good (Hemphill, 2010; Hawthorne, 2003; Puig-Junoy, 2005). For example, in the US, from 2006 to 2007 the most commonly purchased brand name pharmaceuticals had an average price increase of 7.4 percent, which is 2.5 times the rate of inflation over the same time period (Hemphill, 2010).

All patents create a monopoly, guaranteeing the innovator's exclusive rights to use and sell the innovation for a fixed period of years. The monopoly revenue during this period is what provides the compensation for the initial investment. Ultimately, the market determines the size of the reward. (Puig-Junoy, 2005, p. 23)

Such a pricing strategy may be considered socially acceptable if it does not create undue obstacles to patient access. Two examples of pricing as an obstacle, and therefore issues of responsibility, is the 2001 incident around access to HIV/AIDS medications in South Africa and Brazil, and the extraordinary price increases of orphan drugs in the US (Hemphill, 2010.)

The historical factors that led to the incidents in South Africa and Brazil can be partially traced to the creation of the World Trade Organization (WTO) that was designed to lower trade barriers around the world and further the goals of globalization. However, the inclusion of trade-related aspects of intellectual property rights (TRIPS) into the WTO framework was seen by some as a method to create a global scheme to secure and collect royalties on intellectual property (IP), such as patents (Saul, 2005). Even pro-globalization economists were displeased with its inclusion:

The corporate lobbies [sic] in pharmaceuticals and software had distorted and deformed an important multilateral institution, turning it away from its trade mission and rationale and transforming it into a royalty collection agency. (Bhagwati cited in Saul, 2005, p. 179)

Saul (2005) describes the two main problems with the use of TRIPS by the WTO: 1) the developing world saw it as severely limiting their ability to afford high-end western products when priced at western levels; and 2) it “creates cliffs of knowledge that newcomers to research are legally discouraged from scaling” (p. 179). Eventually there was a backlash to TRIPS because of a perceived purposeful link to the reduction of competition; effectively, an attempt to solidify an oligopoly in sectors dependent on the use of IP. For example, in 2001, the US government sought to protect pharmaceutical patents by challenging Brazil in the courts of the WTO for breaking patents to deal with its rising HIV/AIDS crisis. However, in the six months following this intervention, protests around the world had sufficiently pressured the US government to withdraw their complaint (Saul, 2005).

In addition, in 2001, 39 companies, backed by the US government, lodged legal complaints in response to South Africa’s decision to import generic forms of AIDS drugs that were still under international patent protection (Shamir, 2005). South Africa and other African nations were importing what was considered by international property law as 'illegal' generic drugs as a method to control the high cost of therapy for HIV/AIDS,

an issue that continues to be a major health, economic, and social problem for much of sub-Saharan Africa. In 1997, South Africa had amended its Medicines and Related Substances Control Act (1965) to allow for the importation of generic drugs; however, under international law, these generic drugs were viewed as illegal. A coalition of pharmaceutical companies challenged the constitutionality of the amendment to the Act and argued that the new law violated the WTO's TRIPS agreement (Shamir, 2005).

International backlash against the coalition's actions by both social and political institutions was significant. Over 250 NGOs joined the cause and they, in particular, were critical of the actions of the pharmaceutical industry. As stated by the NGO, Oxfam: "pharmaceutical companies face a major reputation risk if they do not do more to promote access to life-saving drugs in the developing world" (Cited in Dukes, 2006, p. 266). In response to the backlash, the coalition of pharmaceutical companies conceded defeat rather than further jeopardize their reputations. Did the pharmaceutical companies assume it would be socially and politically acceptable to act in their own self-interest and counter to the common good of the people in South Africa because the current laws deemed them to be correct? In light of South Africa's disadvantaged situation and pricing barriers to access, how could companies rationalize a decision that would drastically affect a vulnerable population? Again, it appears as though the incidences in Brazil and South Africa are examples of companies analysing a situation using an amoral economic prism to understand and influence social and political policy.

While there may be a lack of transparency about the connection between the cost to develop and produce a drug and the price the company will sell it for, there is a class of medications for which it is understood that costs will almost certainly exceed revenues. These are referred to as orphan drugs. In the US, the definition of an orphan drug is a pharmaceutical treatment for a disease that affects fewer than 200,000 Americans (US Food and Drug Administration, 2010; Medicine Net, 2002). In 2000, the European Union (EU) adopted a similar definition, but also included diseases and disorders more prevalent in developing nations. In an attempt to compensate for the cost-benefit dilemma associated with orphan drugs, both the US and EU legislations provided pharmaceutical companies with incentives to research and develop treatments for orphan diseases (Hemphill, 2010 & Dukes, 2006).

In the US, incentives include a guaranteed seven-year period of exclusivity after FDA approval, 50 percent tax credits for clinical research during the approval process, grant funding, the waiving of fees, protocol assistance by the FDA, and availability for inclusion in the FDA's fast track approval program (US Food and Drug Administration, 2008a,b cited in Hemphill, 2010). In theory, the combination of all these incentives will motivate companies to focus on orphan drug R&D. Consequently, the products should be sold at a lower price because the substantially lowered R&D costs create greater opportunity to recoup those costs. Even with such incentives, however, there have been a number of incidents where extraordinary price increases of more than 100 percent on various orphan drugs have been instituted by pharmaceutical companies:

An egregious example of such an extraordinary orphan drug price increase is Cosmegen, manufactured by Ovation Pharmaceuticals, Inc. for a small group of patients afflicted with Wilms' tumour. Ovation originally priced Cosmegen at \$16.79 per dose, but subsequently raised the price per dose to \$593.75—a 3,436% per drug dose increase. (Appleby, 2008 cited in Hemphill, 2010, p. 226)

The social responsibility of such a price increase generates controversy because it is easily perceived as a self-serving 'price gouge' targeted at a group of patients for whom, in this particular case, the drug is necessary to treat a rare form of kidney cancer. Additionally, the dramatic change in pricing also creates an issue of negative perception, or at least confusion, among stakeholders. While there may be legitimate reasons, unless properly communicated, such pricing decisions will likely to erode the reputation of the company.

The pharmaceutical industry's perceived practice of routinely charging what the market will bear has resulted in major social responsibility issues. Two main issues are the burden that these rising costs are placing on healthcare systems around the world and the inaccessibility of products due to pricing strategies, particularly in developing countries and/or poor populations (Dukes, 2006). If companies are granted monopolistic property rights, should they be allowed to price their products at levels that would be counter-productive to not only the economic, but also the social purpose of patent incentivized R&D? In addition, if resulting pricing strategies from controversies in developing countries still result in pricing drugs that are far too high for average

household incomes, then does a response by companies to pricing controversies represent just another strategy to protect patents and limit the introduction of generic competitors (Saul, 2005)?

#### *2.3.3.4 Innovation and Patents*

In the US, pharmaceuticals go through four key stages before marketing: discovery, preclinical testing, clinical trials, and approval review (Pharmaceutical Research and Manufacturers of America, 2010). Only one in 10,000 medicinal molecules make it through all four stages. A new pharmaceutical agent takes approximately 15 years to gain approval, and the estimated cost for a pharmaceutical to go from discovery to approval is \$800 million (Pharmaceutical Research and Manufacturers of America, 2010). The \$800 million price tag is, however, an area of controversy, and seen by some as an exaggeration that does not accurately reflect actual R&D costs (2005, Angell; Dukes, 2006; Goozner, 2004; Light & Warburton, 2011):

Thus the mythic costs of R&D are but one part of a larger, dysfunctional system that supports a wealthy, high-tech industry, gives us mostly new medicines with few or no advantages (and serious adverse reactions that have become a leading cause of hospitalization and death), and then persuades doctors that we need these new medicines. It compromises science in the process, and consumes a growing proportion of our money. (Light & Warburton, 2011, p. 15)

Additionally, the 15 years' approval time has been contested by external estimations of around 10 years (Dukes, 2006). Importantly, the revenues of approved products must also account for the costs associated with products that failed to go through all four stages and gain approval.

While the costs of development and approval are high, the rate of innovation has been declining. From 1998 to 2002, only 14 percent of newly approved drugs by the FDA could be considered truly innovative, and from 2000 to 2004, there were only 32 truly innovative drugs out of the 314 approved by the FDA (Angell, 2005). Critics argue that the pharmaceutical industry is not providing enough 'relevant' innovation to justify the pricing and monopolistic property rights provided to them (Dukes, 2006). Additionally, "at the same time evidence is advanced to the effect that much of the

creativity attributed to research-based industry lies in fact with academic and other non-commercial institutions” (Dukes, 2006, p. 238). Saul (2005) describes the industry as increasingly reliant on public funded research, which they can purchase, and claim as their own through patent transfers. As a result, the ‘weak innovative pipelines’ of pharmaceutical companies are causing share prices to fall, which have partially resulted in pharmaceutical companies attempting to create me-too drugs and extend patent exclusivity by a variety of means (Angell, 2005).

The vast majority of “new” agents are classified as “me-too” drugs. Near-duplicates of drugs already on the market, these new drugs made up 77 percent of the approved drugs from 1998 to 2002 (Angell, 2005), and accounted for 80 percent of R&D costs (Dukes, 2006).

Market reports from industry-oriented journals repeatedly confirm, there is still an over-whelming interest to develop products because of the relative ease and speed with which “me-too” molecules can be created and brought to market where there is a wide willingness to pay high prices. (Dukes, 2006, p. 246)

The proliferation of me-too drugs creates an issue of research appropriateness as a reflection of the social responsibility of the pharmaceutical industry (Dukes, 2006; Angell, 2005). Directing the majority of R&D toward duplicating existing drugs that target affluent populations, results in less innovation aimed at diseases of minority or developing world populations (Dukes, 2006). However, it does avoid riskier ventures into trying to discover and commercialize truly innovative drugs.

In the pharmaceutical industry, once the patent expires—typically about 20 years—generic manufacturers can legally produce and sell an identical version of the drug at a fraction of the price due to less spending on R&D. Brand name companies want to be able to continue pricing products at their discretion, creating a situation of competing interests between them and generic manufacturers. This situation has resulted in the pharmaceutical industry operating in its own economic self-interest by routinely trying to limit competition through various ways to extended patents, while also attempting to boost the sales growth of products before patents expire (Hawthorne, 2003). Is it socially responsible to limit competition when there could be adverse effects that result? Additionally, shifting innovation priorities to me-too drugs violates their self-described primary social responsibility of developing innovative medicines. Many



controversies arise, and consequently damage the reputation of the industry.

#### 2.3.3.5 Drug Access

In 1948, the United Nation's Universal Declaration of Human Rights established a basic human right that every person has a right to health, with access to medicines as a critical component (Dukes, 2006). Notably, issues of drug access are not isolated to developing countries. As the issues of orphan drug innovation and pricing demonstrate, people in developed countries must also deal with issues of access (Leisinger, 2009).

The debate about the pharmaceutical industry's role in securing drug access is complex. Issues around pricing, innovation, and patents have all been perceived as playing a role in the development of obstacles preventing desirable levels of drug access (Leisinger, 2009; Bluestone et al., 2002). Playing an important part in the provision of healthcare, the industry is thought to have an inherent responsibility to provide access to their products to satisfy their 'role'. Paradoxically, the pharmaceutical industry is both blamed for and sought after as the champion that can cure the problems associated with drug access (Leisinger, 2009). However, these opposing hardline views of the industry are unhelpful to the point that they are preventing a multilateral approach to a very complex problem involving many stakeholders:

Sustainable improvements in access to medicines for the poor necessitate complex systemic changes and political reforms. Demands for unilateral action focusing on selected elements of the complex problem will achieve little more than short-term symptomatic alleviation on the micro-level that will be quickly absorbed by extant systemic limitations. The strength of the 'solution chain' is determined by the weakest link. This is – as said before –often the willingness or ability of the primary duty bearers to live up to their responsibilities.

Nevertheless, the private sector has an important role to play. (Leisinger, 2009)

The pharmaceutical industry has a history of voluntary and charitable acts with regard to drug access (Dukes, 2006; Leisinger, 2009); however, proponents of drug access and critics of the pharmaceutical industry are calling for changes to patents and R&D to help ensure greater drug access (Bluestone et al., 2002). The patchwork strategies of volunteering and charitable acts are not the systemic changes that proponents of greater drug access are promoting.

With the majority of focus and discussion around access directed toward the

pharmaceutical industry, issues of “absolute poverty and powerlessness, lack of good governance leading to deficits in health infrastructure, lack of well-trained doctors, nurses and pharmacists have taken a back seat” (Leisinger, 2009, p. 9). Leisinger suggests that for progress to be made in addressing these areas of concern, the singular blame of one aspect (e.g. the pharmaceutical industry) in the totality of an extremely complex problem must be acknowledged and eliminated because it is not productive and may actually be stifling progress.

As large entities with the ability to discover and commercialize a drug for market, the pharmaceutical industry is perceived by many, including social and political institutions, to have a social responsibility to increase drug access—a possible license to operate (LTO) based on the capabilities on the industry and the incentives provided to it. To use the industry’s own words, if they fail in their ‘primary role’, then they will be perceived as failing their social responsibility. The result of a perception of failure could be reputational and financial problems for an industry that is already facing an economic downturn. Examples of failure in the primary role include pricing strategies that create obstacles or overly burden healthcare systems; engaging in litigation to extend patents; and diverting R&D towards profitable therapeutic areas targeted at affluent populations.

#### 2.3.4 Culmination of Controversies – An Uncertain Future

In addition to the presented social responsibility issues, a number of ethical controversies coupled with product pipeline, talent, and cost issues create a potentially troubling scenario for the future health of the pharmaceutical industry. The ethical controversies are connected with the previously described five areas of company operations creating controversy because of perceived self-interest guiding their behaviour.

The following section details the additional issues troubling the industry and then explains how CSR, in a business case scenario, has a substantial role to play to help mitigate the uncertain future that it is facing.

The reputational fallout from social responsibility issues is related to growing ethical concerns about the business practices of companies in the pharmaceutical industry, and has resulted in litigation and fines by governments, federal trade

commissions, and consumer groups:

In just the past couple years, the pharmaceutical industry has faced a tidal wave of investigations and lawsuits brought by federal prosecutors, state attorneys general, company whistleblowers, and a host of consumer groups and individuals (Angell, 2005 p. 229).

Litigation associated with, for example, off-label marketing for unapproved uses of drugs has been prominent in recent controversies. For example, Pfizer was required to pay \$2.3 billion in fines for off-label marketing of 13 different drugs (Associated Press, 2009). AstraZeneca recently had complaints filed against it because of accusations that it has been promoting a drug, Seroquel, to treat disorders that were not authorized by the FDA (Jack, 2010). In 2009, Eli Lilly settled criminal and civil cases for \$1.4 billion after allegations for off-label promotion of Zyprexa. As a result, Eli Lilly overhauled their code of conduct for employees in an attempt to prevent similar controversies in the future (Sullivan, 2009). It is not to say that the drugs being marketed off-label would not be effective for these conditions. Rather, the controversy arises from the fact that these products did not go through the appropriate safety evaluations by regulatory bodies to ensure they are appropriate for these unauthorized conditions.

Presently, there is an industry-wide legal investigation looming over the pharmaceutical industry. The Department of Justice (DOJ) and the Security and Exchange Commission (SEC) in the US are conducting an international corruption investigation into numerous pharmaceutical companies and their payments to doctors, clinicians, hospital operators, and regulators in foreign markets (Kirchgaessner, 2010). Since these actors tend to work at state-run medical facilities, they are considered government employees. As such, payments to these individuals violates US anti-bribery laws that state it is illegal to offer items of value to foreign government employees for the purpose of making a profit (Kirchgaessner, 2010). A main area of concern for the DOJ and SEC is how these payments may have influenced foreign clinical trials that were eventually included in the FDA's approval process.

Social and political institutions appear to be increasingly concerned that the business practices of the industry might violate laws and regulations regarding influence, coercion, and misinformation. Laws and regulations continue to be adapted to address developing concerns. Again, a question arises: is it ethical of

pharmaceutical companies to engage in practices that might be considered morally wrong by society, but do not violate any current laws or regulations? Based solely on a declining reputation and a greater emphasis being placed on ethical codes of conduct, it appears that society considers it rather unethical.

While profits and margins remain high, sales growth is slowing and share prices are dropping (Angell, 2005). The weak pipeline, in conjunction with a wave of upcoming patent expirations, has the pharmaceutical industry facing an uncertain future (Berger and Grainger, 2010). For example, at the end of the past decade, a wave of patents began to expire, and this is expected to translate into substantial decreases in revenue for the majority of the brand name companies. For example, Eli Lilly has the following four patents expiring: Cymbalta (anti-depressant), Humalog (insulin therapy), Evista (osteoporosis treatment), and Gemzar (cancer treatment). These four products represent 40 percent of Eli Lilly's forecasted sales in 2010, and when they expire, the level of revenue generated from these will decrease substantially.

The dry-pipelines are a signal of the pharmaceutical industry's business model coming under siege. It is less viable to focus on 'one size fits all blockbuster drugs' (Berger & Grainger, 2010). Drug development costs have been steadily increasing, while R&D productivity is decreasing in the face of the "low-hanging fruit of evolving medical science have already been harvested, and the promise of recent rapid advances in pharmacogenomics and genetics has yet to be realized" (Berger & Grainger, 2010, p. 916). To make matters more difficult for companies, there is a talent shortage resulting from the departure of executives and substantial lay-offs at most major pharmaceutical companies (Neff, 2010).

One way the industry is seeking to deal with these issues is through mergers and acquisitions (Fai and Morgan, 2007). In two recent moves to combat pipeline, talent, and cost issues (Fai and Morgan, 2007), Pfizer purchased rival pharmaceutical company Wyeth for \$68 billion, while Merck has merged with Schering-Plough. The takeover gives Pfizer and Merck increased R&D capabilities and access to drugs produced currently and new drugs in the pipelines at Wyeth and Schering-Plough, respectively (Hall and Krauskopf, 2009).

There are issues, however, with whether merger and acquisitions are socially

responsible. While mergers and acquisitions may be necessary to improve the sustainability of the companies involved, the resulting layoffs negatively affect the lives of many former employees (Esteban, 2007). Additionally, CSR programs are likely to be reduced in total when two companies merge into one entity. Not including the recent mergers and acquisitions, there have also been large-scale layoffs and transition periods for many pharmaceutical companies (Angell, 2005). Most notably, the process of merging and acquiring corporations by different corporations has been described as a process of purposely reducing competition in an attempt to create monopolistic or oligopolistic business enthronements (Saul, 2005; Soros, 2000).

The combination of controversies infused with social responsibility issues, an unstable financial future, and a tarnished reputation displays an obvious need to better respond to the concerns and expectations of society. Saul summarizes the potential backlash:

The question is simple: How long will a handful of the most profitable joint stock corporations in the world, whose declared purpose is well-being, be allowed to cause tens of thousands of premature deaths each year in the name of patent protection and stockholder interests? There are growing signs that the answer is not much longer. (Saul, 2005, p. 181)

A possible response would be to integrate a CSR-based strategy into the pharmaceutical industry to mitigate the uncertain future. It is suggested, that similar to other industries, by thoroughly integrating CSR into the core business strategies, the pharmaceutical industry will be better able to identify and prevent present and future risks facing the industry. They could also begin to rebuild their reputation to previous levels, provide benefits to those all affected by their CSR efforts (Bennett et al., 2009; Googins et al., 2007), and live up to their 'primary role and social responsibility to deliver new, innovative medicines'. All of this would be accomplished by operating in a way that addresses matters of the common good in conjunction with their own self-interest. However, it must be noted that CSR is only one part of the solution for pharmaceutical companies, and should only be considered as part of a larger, complex strategy that seeks to better align the priorities of the healthcare industry with those of the common good.

### 2.3.5 Future Strategies for CSR in the Pharmaceutical Industry

Although the pharmaceutical industry is actively engaged in CSR practices, a range of controversies challenges their approach. It is unclear if CSR, as it occurs in the pharmaceutical industry, is simply a reactive patchwork or a proactive approach to address their social responsibilities through a fundamental shift in perspective aligning actions with society's interests. It also could be mix of both, or neither.

A patchwork CSR strategy is generally limited to short-term benefits and is seen as lacking accountability and transparency (Greve, 2008). For example, in the area of marketing, Pfizer has begun disclosing payments made for educational purposes to private practice doctors (Kirchgaessner, 2010b), while GSK, Merck, and Pfizer are looking at new compensation methods for their sales force representatives in an attempt to curb any irresponsible practices that were incentivized by sales-based compensation (Loftus, 2010). Examples such as these suggest isolated and reactive rather than comprehensive and all-inclusive strategies. The promises made by engaging in or promoting CSR by pharmaceutical companies will remain unfulfilled until the CSR strategy is not simply patching up some of the most publicly troublesome areas (Nussbaum, 2009). Many industry observers are advocating more company-wide, integrated, and comprehensive approaches to actually address the root causes of the concerns relating to issues of social responsibility, instead of a reactive treatment for the symptoms of such problems (Angell, 2005; Leisenger, 2009; Nussbaum, 2009).

In the following section, four main areas of a successful CSR strategy will be presented: 1) CSR unified industry; 2) adoption of a business case for CSR; 3) benchmarking and transparency; and 4) the pertinent areas to address in a comprehensive strategy.

#### *2.3.5.1 A CSR Unified Industry*

A CSR-unified pharmaceutical industry with a comprehensive strategy is viewed by some as an effective and universal response that will be perceived as authentic by stakeholders, governments, and society.

Owing to the nature of its trade, the pharmaceutical industry is in a sensitive position, with its credibility depending on sound business ethics. Pharmaceutical companies thus have an interest to adopt socially responsible business practices.

Such actions, if employed by all players, would create a level playing field and dispose of competitive disadvantages CSR-conscious companies might have at the moment. (Nussbaum, 2009, p. 75)

Reputational damage is industry-wide and not focussed specifically on one corporation (Esteban, 2008). As a result, mitigating the damage and dealing with an uncertain future are simply too much for one corporation to tackle alone (Parker, 2007). To adequately transform their reputation, an industry-wide mutual understanding and implementation of a comprehensive CSR strategy should occur (Nussbaum, 2009). An industry-wide CSR plan would unify practices, utilize multiple perspectives to identify potential risks and opportunities, combine areas of expertise, and concentrate resources to achieve effective and efficient strategies (Nussbaum, 2009). Most importantly, if each company is engaging in similar CSR, there will be a higher probability of its normative adoption as a standard aspect of business.

The peer pressure exerted through a CSR-unified industry is intended to increase the interdependence and social cohesion among corporations. Unification would also resist any free-rider companies that do not properly engage in CSR, but nonetheless seek to reap the reputational benefits created by other companies (Greve, 2008). Even with a unified CSR strategy, mistakes will occur (Neal, 2006). Nevertheless, a unified industry would better prevent individual controversies from affecting the overall reputation of the industry. However, the likelihood of this situation developing has to be questioned because of the fierce competition among companies and the anti-competitive practices that have been a major source of their current problems.

An example of one pharmaceutical company's actions serving as the tipping point for industry-wide negative effects was the J&J/McNeil recall of a children's medication. In April 2010, an FDA investigation reported incidents that violated quality control standards through the mishandling of materials and inadequately investigating consumer complaints about a medication for children that is produced by McNeil, a consumer healthcare unit for J&J (Rockoff, 2010). The ensuing recall was the fourth product recall for J&J that year. Additional claims that the company was stalling information requests and that they knowingly misled regulators has spurred many criticisms and desires for change by the FDA and the US Congress (Wechsler, 2010).

The case could have broader ramifications for pharma companies, as FDA moves to step up oversight of drug manufacturing operations and recall procedures. And Congress seems more enthusiastic about enacting legislation to strengthen FDA's enforcement powers, namely authority to mandate recalls, impose civil monetary penalties and facilitate access to company records. (Wechsler, 2010, p. 14)

The actions by J&J and their subsidiary McNeil demonstrate how a company that engages in CSR but has not approached it in a strategically comprehensive and ethical way can cause a controversy that may have ramifications that affect the entire industry.

To better prepare and design a comprehensive CSR strategy, the pharmaceutical industry must enhance their dialogue with stakeholders. The complex web of stakeholders around each company is, in reaction to controversies, becoming increasingly informed, critical, and active (O'Riordan & Fairbrass, 2008). As a result, the industry must look to broadening stakeholder dialogue and engagement (O'Riordan & Fairbrass, 2008). This heightened level of engagement would aid in identifying new opportunities for the industry to help them to proceed in a socially responsive way (O'Riordan & Fairbrass, 2008).

#### *2.3.5.2 Adopting a Business Case for CSR—A Win-Win Justification*

Keeping CSR on the periphery of operations will likely result in diminished effectiveness or patchwork strategies because of the lack of priority, and therefore resources and commitment. Based on this logic, CSR should be integrated into the centre of operations within a corporation for it to reach its full potential. This requires the developing of a business case for CSR (Esteban, 2008; Bennett et al., 2009; Googins et al., 2007).

The business case for CSR is the process of developing and implementing a CSR strategy as a means to create win-win scenarios between the company and targets of CSR policies and programs (Frynas, 2008; Bennett et al., 2009; Kurucz et al., 2008; Googins, et al., 2007). Although there is no conclusive link between CSR engagement and financial performance, some have qualitatively argued that there is a business case for CSR because of the intangible external and internal benefits that result (Parisi & Hockerts, 2008).



Kurucz et al. (2008) elaborate on four developed categories of business case scenarios for CSR based on the perspective and approach selected by those with decision-making authorities: cost and risk reduction; competitive advantage; reputation and legitimacy; and synergistic value creation. In comparing the four scenarios, synergistic value creation would likely be the optimal solution for the pharmaceutical industry because it details the most complete strategy to finding a balance between self-interest and the common good. Using synergistic value creation to develop layers of partnerships with stakeholders (e.g. NGOs, governments, academia, health professionals patient groups etc.) will help to better identify risks and opportunities, utilize a variety of expertise, and inherently become more transparent, while also re-shaping the industry to become more sustainable (Kurucz et al., 2008; Lee & Kohler, 2010; Bennett et al., 2009; Googins et al., 2007).

#### *2.3.5.3 Benchmarking and Transparency*

The CSR literature discusses the use of benchmarking to entice CSR-related competition among pharmaceutical companies (Leisinger, 2009; Lee & Kohler, 2010). A multi-stakeholder approach to benchmarking, such as the Access to Medicines Index (2008, 2010) is suggested as having the potential to elevate transparency with regard to the strengths and weaknesses of the operations of the industry. The resulting transparency could lead to better and more specific multi-stakeholder strategies that address large-scale social responsibility issues in which the pharmaceutical industry plays a key role (Lee & Kohler, 2010). Transparency plays a vital role in providing authentic communication of CSR outcomes so that the industry can be credited for its CSR accomplishments, while also adding validity to industry CSR reports and the voluntary nature of CSR (Nussbaum, 2009).

Competitive advantages are likely to result from both the reputational benefits associated with higher rankings and the potential increases in investments from socially responsible investors (SRI) that use a combination of financial and social performance as a filter for investment (Lee & Kohler, 2010).

Overall, examining the literature around benchmarking reveals many cause and effect assumptions that have not been effectively realized. Benchmarking might

incentivize competition among companies to engage in CSR, but these same companies have been shown to find effective means to stifle competition and engage in overly self-serving behaviours. Benchmarking, therefore, has to be considered a supplementary method to encourage CSR engagement as it might otherwise incentivize further unethical actions if it is not carried out in tandem with more comprehensive and normative changes.

#### *2.3.5.4 A Comprehensive CSR Strategy*

If adequately addressed, six areas of business practices recommended should reflect and induce greater social responsibility in the operations of pharmaceutical companies. Adapted from Esteban (2008) and Parker (2007), the six areas include:

- 1) Be more transparent and better at communicating their policies and procedures for testing and marketing products;
- 2) Develop a comprehensive HR strategy around issues like diversity, remuneration, and personal and professional development as well as employee engagement in charitable activities;
- 3) Manage ongoing environmental issues relating to procurement, waste management, and the efficient use of key resources like water;
- 4) Design new innovation strategies that focus on addressing the needs of stakeholders and relying less on industry needs;
- 5) Develop an open dialog with stakeholders to help identify their needs and expectations; and
- 6) Lower R&D costs by increasing outsourcing and in-licensing, resulting in lower costs for consumers.

Encapsulated within these six areas are a number of concepts previously discussed in this literature review. For example, the lowering of R&D costs was discussed with regard to patents and innovation, and HR strategies regarding remuneration policies were discussed as a response to specific controversial practices by sales associates. Overall, the six areas blur and overlap the five areas of controversy detailed earlier. They provide insight into possible strategies to overcome practices that have been deemed socially unacceptable by individuals and groups around the world. Used in combination with each other and within a unified industry context, companies could potentially develop synergistic business cases for addressing all of the six areas using programs and policies considered CSR. The results of which could be validated and communicated externally by benchmarking organizations.

A comprehensive and unified CSR strategy for the pharmaceutical industry would need to be complementary to the current business strategy changes that are already in progress. For example, emerging markets are becoming the new source of growth for the pharmaceutical industry. These markets are estimated to make up 70 percent of the worldwide growth in the pharmaceutical market, and expanding their presence in large markets such as China and India is vital for the pharmaceutical industry (Rockoff, 2010b). In addition to entering these new markets, the industry is also beginning to develop a more fully integrated pharmaceutical network, where out-sourcing of drug development services and trials to the developing world is used to lower R&D costs and speed up development times (Van Arnum, 2010).

It does appear that the industry is attempting to address some aspects of the six areas already, but in what could be considered a more patchwork way. It is also important to note, however, that the CSR-related strategies in this section come from the perspective of people outside the industry. Just as it has been assumed that the industry lacks external perspective, those external to the industry may lack an internal perspective. As a result, what is required is an industry-based perspective on these matters to better complete the understanding of the strategies currently in place and the rationale for past and current decisions by pharmaceutical companies.

## **2.4 Summary**

There are many players (scholars, business leaders, NGOs etc.) positioning themselves in relation to CSR, yet there has been a failure to bring standardization to what it can or should entail for businesses and what society should expect in return:

The study of CSR has been hampered by a lack of consensus on the definition of the phenomenon, unifying theory, measures, and unsophisticated empirical methods. (Crane, McWilliams, Matten, Moon, & Siegel, 2008, p. 568)

The normative nature of CSR affected by continually changing business environments appears to be a major reason for the lack of consensus. Every person, group, culture etc. has different expectations about the role and responsibilities of businesses to society, both locally and globally. As a result, there is a mix of drivers and motivators interacting to create reasons, or rationale, for engaging in CSR at both

the company and industry levels.

Seemingly connected to current concepts of CSR is the perception of a symbiotic relationship between business and society. The symbiotic relationship represents the interdependence between business and society, where the health of one relies on the health of the other. Recent economic maleficence of Enron or WorldCom are large-scale examples of how the demise of an integrated and influential MNC can have rippling effects, both economic and social, across the lives of individuals. However, the concept of the symbiotic relationship has been discussed for much longer. Aristotle, for example, discussed how businesses are a part of society so they have an obligation to contribute to the common good (Mele, 2008). Therefore, the following definition best explains how the process of strategically engaging in CSR brings together the overlap between definitions, the normative nature of CSR, and the symbiotic relationship between business and society:

CSR blends and harmonizes economic operations with human community's social systems and institutions, creating an organic linkage between business and society. The end goal of this relationship is to achieve a balance between the firm's economic operations and the society's aspirations and requirements for community welfare. (Frederick, 2008, p. 523)

In combination with a substantial increase in technology, globalization has created greater access to information, albeit unevenly within and across nations. The current drivers for CSR have been influenced by society's increased access to information. The information provides greater awareness regarding the costs (negative externalities of company operations) that individuals are routinely and involuntarily subject to as a consequence of market failures in economies heavily influenced by the concept that individualism in a perfect market can lead to societal-wellbeing:

Externalities and other market failures are not the exception but the rule. If that is the case, it has profound implications. There is meaning to individual and corporate responsibility. Firms need to do more than just maximize their market value. And individuals within corporations need to think more about what they do and the impacts on others. They cannot get by by saying that they are "just" maximizing their incomes. (Stiglitz, 2010, p. 283)

Interestingly, it is paradoxical that businesses can be considered the cause and the cure for the growing environmental, social, and economic problems (Scherer & Palazzo,

2008).

The employees and leaders of businesses are not separate from the society in which they operate. Increasing numbers of employees are stating a desire for more CSR engagement by their prospective employers, and leaders of companies are facing greater public pressure to assume more responsibility for the operations of their company.

All of these economic, political, and social factors have contributed to CSR becoming a global business trend. Although it is applied according to a range of perspectives and methods, the motivators for engaging in CSR vary greatly. Both Canada and the US feature companies that are engaged in CSR at varying levels for a range of reasons. In contrast to many European nations, neither the government of Canada nor the US has made it a priority to promote the adoption of CSR by business. Canada's social safety net and the US economy's reliance on free market economics create two different but often similar business environments with regard to CSR. However, proximity, market size, free trade agreements and the greater reliance of Canada on the American economy presses the Canadian market to adopt more American business perspectives and policies than *vice versa*. Therefore, Canada and the US, with pharmaceutical companies with operations in both countries, make them the desired locations to examine the engagement in CSR within the pharmaceutical industry.

The pharmaceutical industry has faced persistent and increasing criticism for not properly managing the social responsibilities attributed to its dual role, as an integral part of the healthcare system with a for-profit orientation. The industry's history has been shaped by its dual role because the regulations designed to protect those using its products are applied in combination with others designed to prevent or stop conflicts from the dual and competing interests. As a result, the pharmaceutical industry is one of the most heavily regulated industries in the world.

Further attributed to the dual role of the industry is a multitude of controversies around the industry's social responsibility. The controversies are fuelled by a battle of perceptions about the industry, its responsibilities, and the changes that many perceive to be required to fix systemic problems.

Big pharma did help pump up drug spending by pushing the edges of the profit envelope. It used every trick in the law to delay generic alternatives. It poured on DTC advertising to encourage patients to demand expensive new medicines rather than generics and over-the-counter products, and then buttressed that effort by courting doctors with fancy meals. It harnessed its clout in Congress and state legislators to try to block measures that would restrain the cost of drugs, give a leg up to cheaper competition, or—most notably—add a prescription drug benefit to Medicare. (Hawthorne, 2003, p. 180)

A solution to the systemic problems could be the adoption of a comprehensive CSR strategy, which includes a CSR-unified industry, synergistic business cases to incentivize engagement, changes to six areas of business operations, and participation in external benchmarking. The pharmaceutical industry is a highly competitive industry, and it appears that it is still necessary to ensure that it continue to operate in its own self-interest as they engage in CSR. As they take on greater responsibilities to benefit others outside their company, it will have to be done in a way that creates benefits for the companies as well.

External groups and individuals have dominated the discussion about the socially responsible actions and behaviours of the industry, perhaps, even to the dismay of the pharmaceutical industry. The poor reputation of the industry leads to authenticity including minimal credit for its current CSR strategies. The battle of perceptions is weighted heavily toward those outside the industry, and this may hamper the industry's ability to improve its reputation and justify further engagement in more socially responsible behaviours. As a result, it is necessary to examine the perception of CSR from the point of view of those within the industry to better understand how and why the industry is currently engaging in CSR.

Many questions about the pharmaceutical industry's perspective about the issues and strategies are brought up in this review of the literature. The debate about CSR in the industry needs to become better rounded through the inclusion of an internal perspective. Are companies adapting CSR strategies in recognition of external drivers? Where are the continual changes with regard to CSR headed? What internal and external obstacles is the industry facing with regard to the development and implementation of CSR? Creating more effective and efficient dialogue among the pharmaceutical industry, stakeholders, and society is intended to lead to the removal of

polarizing perceptions that are hindering CSR progress. As a result, the review of the literature revealed gaps, which, if examined, would contribute to our understanding of how and why the pharmaceutical industry engages in CSR.

### **3. Research Methods**

#### **3.1 Outline**

The following chapter provides an overview of the research methods employed, beginning with my selection of qualitative research as the main method of inquiry. Based on this choice, the next three sections explain my epistemological stance, methodology, and data methods (collection, procedures, and analysis). Overall, the totality of the research methods aligned for a more fluid and appropriate approach to the research topic that I studied.

#### **3.2 Methodological Framework**

##### 3.2.1 Qualitative Research

Research can generally be separated into two fundamental approaches: qualitative and quantitative. The distinction between qualitative and quantitative research occurs at the level of methods. Identical epistemologies and methodologies can be represented within both types of research, but the selected methods will distinguish the two. However, qualitative and quantitative research does not have to be mutually exclusive, and mixed methods approaches are increasingly common (Crotty, 1998).

Qualitative research was selected as the most effective route to conduct research into CSR within the pharmaceutical industry. While a quantitative approach was contemplated, it was disregarded due to perceived limitations associated with the depth of information that it could obtain. I believe a sometimes-controversial subject like CSR requires a substantial amount of flexibility to obtain adequate and comprehensive data for analysis. As a result, I concluded that questionnaires, commonly associated with quantitative research, would not provide the necessary data for the research. Additionally, with a relatively small number of large-scale pharmaceutical companies operating in Canada and the US, sufficient levels of respondents for statistical analysis and generalizability would be difficult. As a result, qualitative research was selected because for its flexibility and depth.



### 3.2.2 Epistemology - Constructionist

An epistemology “is a way of understanding and explaining how we know what we know” (Crotty, 1998, p. 3). A “philosophical grounding for deciding what kinds of knowledge are possible” (Maynard, 1994 cited in Crotty, 1998, p. 4) is essential to form an understanding of what is being researched. Therefore, my perspective on the nature of knowledge is used as reasoning or justification for my methodology and methods.

The three most prevalent epistemologies are: constructionism, objectivism, and subjectivism; each has a different perspective on the nature of knowledge and reality. In my research, I chose to use a constructionist epistemology. To ensure consistency, I attempted not to waver too much from constructionist into different epistemologies because each is inherently different from others, and shifting back and forth across epistemologies would likely result in contradictions within the research findings.

Constructionism is the idea that knowledge is constructed through our interactions with the world (Crotty, 1998; Burr, 1995); meaning cannot exist without the use of our minds. This is opposite to objectivism, which sees meaning as always existing with or without consciousness. The opposing nature of these epistemological assumptions supports the argument that an epistemology should be stated and consistently relied upon throughout the research process to avoid possible contradictions. However, my own and participants’ interpretations of participants have a subjective element because we are each attempting to understand and place meanings onto the actions of others. As a result, although subjectivism is not the chosen epistemology, it did play a factor in the research process and should be noted. To compensate for the levels of subjectivism, I had to consciously reflect on the level of subjectivity in my interpretations as to understand how it influences my analysis and viewpoint of the other narratives at play.

Constructionism takes the viewpoint (Burr, 1995, p. 4) “that all the ways of understanding are historically and culturally relative”. This method of conceptualization is important when investigating practices in the business world because cultures vary from employee to employee, business to business, region to region: each has its own history and experiences that can influence decision-making and the construction of areas such as CSR. Based on this information, I think that the complex cultures within

and around businesses required an epistemological stance like that of constructionism because it is a socio-cultural practice. Burr (1995) expresses a similar viewpoint in her explanation of constructionism: “Each different construction also brings with it, or invites, a different kind of action from human beings”. It is my personal belief, as well, that knowledge is constructed through our interaction with the social world.

### 3.2.3 Methodology – Constructivist Grounded Theory

Grounded theory was developed by two scholars, Glaser and Strauss (1967). The grounded theory methodology was created as a way to deduce insights directly from the data to develop a substantive theory (Glaser & Strauss, 1967). “The relevance of a grounded theory derives from its offering analytic explanations of actual problems and basic processes in the research setting” (Charmaz, 2000, p. 511).

The primary concepts driving the process of grounded theory are constant comparison and theoretical sampling (Suddaby, 2006). Constant comparison is the process of collecting and analyzing data simultaneously while constantly comparing each piece of data, whether they are categorized or not, to identify similarities and/or differences that can create new or build upon existing categories in the attempt to further construct a substantive theory (Glaser & Strauss, 1967; Suddaby, 2006). Theoretical sampling uses the developing theory to identify new and/or old sources of data to be collected that can potentially yield theoretically relevant data to help further its construction (Suddaby, 2006; McCann & Clark, 2003).

Constructivist grounded theory accepts that there are multiple realities at play during any situation, but these realities are not truths as post-positivists (e.g. objectivist epistemology, Glaser and Strauss’s original version of grounded theory) believe (Charmaz, 2000). The realities created through the social interaction of people within their personal and societal roles are never one-dimensional and, therefore, settling on only one perspective drastically oversimplifies any reality. Charmaz (2000) explains how constructivism “recognizes the mutual creation of knowledge by the viewer and the viewed, and aims toward interpretive understanding of the subjects’ meaning” (p. 510). The researcher becomes an active participant by interpreting participants’ interpretations about their perceived realities. The researcher plays a role in the

construction of realities. As a result, I had to understand the influence of my perspective on the both the collection and analysis of data (Charmaz, 2000).

Constructivist grounded theory seeks to collect not only facts or figures but also the multiplicity of the views and values interacting in any given social situation (Charmaz, 2000). Understanding that there are always multiple perspectives interacting in the creation of any phenomenon, I consider my substantive theory open to modification through refinement, adaptation, and additional contributions.

The social world is always in process, and the lives of the research subjects shift and change as their circumstances and they themselves change. Hence, a grounded theorist – or, more broadly, a qualitative researcher – constructs a picture that draws from, reassembles, and renders subjects' lives. The product is more like a painting than a photograph (Charmaz, 2000 p. 522).

Based on a constructionist epistemology, I chose to adopt the constructivist grounded theory methodology because of how its philosophical undertones and methods of developing a substantive theory aligned with my beliefs. Additionally, it features rigorous data collection and analysis methods that are not overly constraining but do require a high level of creativity to adequately generate a substantive theory (Suddaby, 2006; Charmaz, 2000; Richardson & Kramer, 2006). Reflexivity is a requirement of constructivist grounded theory because, as a researcher, I had to constantly analyze not only the interpretations of the participants but also my own to understand how they might have affected each other. The resulting substantive theory is embedded within a multi-story narrative, which is the most accessible way to present it (Charmaz, 2000; Scott & Howell, 2008).

### **3.3 Data Collection Methods**

Although usable under grounded theory, a mixed-methods (qualitative and quantitative methods) approach was not adopted because of the potential for introducing additional limitations into the research. For example, if a quantitative survey was sent before an interview occurred, it might have resulted in prepared responses to my interview questions. Prepared responses could have hindered my research and, therefore, by using only qualitative methods (e.g. semi-structured interview) I removed the likelihood of this occurring. Additionally, when theoretical saturation of data has

been achieved using grounded theory, then it would be improbable that a post-interview survey would yield any new and/or pertinent information.

### 3.3.1 Semi-Structured Interviews

I found that using a personalized interview, as my main data collection method, was the most effective way to conduct my research. While (1994, p. 329) listed four benefits noted by other scholars to using a personalized method of interview:

- 1) The potential to overcome the poor response rates of a questionnaire survey (Austin, 1981);
- 2) Well suited to the exploration of attitudes, values, beliefs and motives (Richardson et al., 1965; Smith, 1975);
- 3) Facilitates comparability by ensuring that all questions are answered by each respondent (Bailey, 1987); and
- 4) Ensures that the respondent is unable to receive assistance from others while formulating a response (Bailey, 1987).

These four benefits provide further justification for my choice to use a qualitative-based epistemology (constructionist) and methodology (constructivist grounded theory) as a fluid framework for my research. All four benefits reinforce my rationale for not using questionnaires as data collection method, and each provides insight into why interviews have the flexibility and depth that I desired. Specifically, the first, third, and fourth benefits explain how I can avoid response limitations with a small sample size, ensure all questions are answered, and that the participants are exclusively answering the questions. The second and third benefits relate to the abilities of a personalized interview to have great depth and insight into the interpretations of participants.

There are two types of personalized interviews: structured and semi-structured. Structured interviews follow a set of questions and do not deviate because the purpose is to have each interviewee answer the exact same questions. The reduced flexibility limits the ability of the interviewer to explore topics further.

The majority of grounded theory research uses interviews as the primary data source (Suddaby, 2006; Seaman, 2008). The use of constant comparison and theoretical sampling under the grounded theory methodology is congruent with the use of semi-structured interviews. Constant comparison and theoretical sampling require flexibility and adaptability that is inherent to semi-structured interviews.

Two specific benefits of the semi-structured interview method are that it allows the interviewer more freedom to probe interesting areas that arise and the interviewer can follow the respondent's interests and concerns (Smith & Osborn, 2003). I used this same format to create a strong dialog with each participant with the purpose of creating deeper and more fulfilling interviews that generated strong and useful data.

Limitations associated with using this method are that it “reduces the control the investigator has over the situation, takes longer to carry out, and is harder to analyze” (Smith & Osborn, 2003). I found the latter two limitations were true, but I did not find that I lost control during any part of data collection and analysis process because I actively attempted to keep interviews on topic but in a way that both the interviewee and I were comfortable. The result was that most interviews ended up similar to a candid conversation.

Semi-structured interviews require a flexible interview guide to keep the interview on track and to ensure that all relevant topics have been covered (Smith & Osborn, 2003). Charmaz (2006) notes that she does not use interview guides because of her experienced and refined interview techniques. However, she does recommend their use for novice grounded theorists that are using interviews as their primary data source. The attached interview guide (see appendix A) was used for the purposive sampling stage of my research. During the theoretical sampling stage the content did change and this can be observed in the differences among the versions of the interview guide included in Appendix A.

The questions were crafted to foster the participants' reflections and interpretations (Charmaz, 2006). The interview questions focused on eliciting the participants' views and experiences with a phenomenon. The interviews proceeded like a directed conversation that avoids harshly directed questioning. “Interviewers use in-depth interviewing to explore, not to interrogate” (Charmaz, 2006, p. 29). For initial questions I used open-ended questions because it allows the participant to explore their experiences and go in different directions with their responses (Seidman, 2006); probing or follow-up questions were not always open-ended. The probes were based on the content of answers, and they provided options for possible follow-up questions (Kvale & Brinkmann, 2009). There was intentional over-lap among questions so that interviews

produced rich data for comparison.

The layout of my interview guides was based on the work of Charmaz (2006). She provides a sample of an interview guide (2006, p. 30-31), but the focus of its questioning is to study a particular individual's experience. While the individual experience is an important element of my interviews, the organization's collective practices are also of interest. Based on her recommendations I balanced the two factors by laying out the interview guide in a way that would best reflect both the organizational practices and individual experiences and views of these practices (Charmaz, 2006).

The interview guide begins with questions oriented to the collective practices of the participant's company. The purpose of these questions was to create a dialogue around the CSR practices of their company, the role of organizational values, and what company motivations are for engaging in CSR. Another function of these questions was to generate a rapport that enriched the discussion and answers during the second section of questions, which it accomplished.

The first section of questions was designed to cause the participants to reflect on their involvement and relationship with CSR at their company, which resulted in a rich dialogue about their views and experiences with CSR during the second section of questions. The second section of questioning focused on the views of participants and their participation in CSR at their respective company. These questions placed the participant and their views into relation with the answers they provided in the first section.

The final section of questions focused on wrapping up the discussion and providing the participant a final chance to reflect on their answers and any developing insights. I used the final section of questions to end the interview on a positive note (Charmaz, 2006), allowing for the option of follow-up interviews and networking for additional participants. Although no follow-up interviews were necessary, networking for additional participants was quite successful. To comply with ethical standards, I asked the participant to personally correspond with the potential contacts to verify if it was acceptable for me to begin contacting them.

### 3.3.2 Role of the Researcher

I was an active participant during the research process because the nature of constructivist grounded theory is to assume an active and influential role throughout the data collection and analysis (Charmaz, 2000). This role served as the foundation for sifting through participant-generated data and interpreting how the participants make sense of their own actions and surroundings, resulting in a co-production of meaning.

In addition, semi-structured interviews create the need for the interviewer to become active in the conversation with the interviewee. This required me to actively participate in the conversation and adapt to the answers that the interviewee provides by taking different routes with questions or delving more deeply into topics when it was necessary.

## **3.4 Data Collection Procedures**

### 3.4.1 Data Sources and Sampling

There were multiple data sources used in this project. Semi-structured interviews served as the primary data source, and CSR/value publications from pharmaceutical companies were the secondary source of data. The type of data analysis (Section 3.5, p. 128) used on the primary data was applied to the secondary data, but modified slightly to account for substantially larger amounts of information. Keeping the analysis similar allowed me to integrate the data using constant comparison. The following are publications that were targeted for analysis:

- 1) Sections of websites pertaining to CSR and corporate/organizational values; and
- 2) Pamphlets/promotional material detailing CSR policies and programs.

I found that data saturation was achieved by examining the online content of pharmaceutical company's mission, values, goals, and, most importantly, CSR programs and policies. The availability of CSR reports and annual reports across companies was found to be consistent. Although grounded theory does not require uniform collection of information, secondary sources were successfully collected from the company websites of participants in the country in which they operate.

The use of these particular publications as a secondary source was beneficial because the available publications were used to help triangulate with the primary data,

and constant comparison helped in the development of theoretical sampling. Additionally, the gaps in the amount of CSR content on company websites helped to understand the CSR perspective of the company and its leaders. For example, why does a company not publish or even produce CSR publications that are commonplace in the communications programs of other pharmaceutical companies? Overall, it helped to provide a well-rounded understanding of each company's values and CSR policies and programs through constant comparison with the data collected from interviews.

Purposive sampling was used to create a broad but selective database for analysis. There was a near homogeneous sample, in that all participants were of the managerial or executive level but had varying levels of personal engagement in CSR decision-making and its implementation. This sampling is considered 'purposive', in that the researcher selects the sample from which the most can be learned (Suzuki et al., 2007). With approximately twenty large-scale pharmaceutical companies in Canada and the US, there was little room to randomly sample.

As explained in the next section (3.4.2, p. 125), the data was analyzed and collected simultaneously. This process resulted in there being no lag between the collection and analysis of data. Upon starting the analyses, I began to construct a theory from the multiple perspectives and data sources. The growing theory needed additional data to further develop, and through theoretical sampling, in the form of instrument development and networking for additional participants, saturation was reached, leading to the full construction of the theory (Charmaz, 2006).

### 3.4.2 Participants and Recruitment

In terms of participants, I gained access to executives and managers from pharmaceutical companies that have substantial investments in terms of employment and infrastructure within Canada and the US. Most of these companies are US-based multinationals with affiliates operating in Canada. The executives and managers best suited for this research had, at a minimum, general knowledge of, and interactions with, CSR-related activities at their respective companies.

Purposive sampling began and finished with the selection of two groups of executives and managers to interview: 1) government, regulatory, patient, and market



affairs; and 2) CSR team members (strategy development, implementation and reporting). Each group provided a valuable perspective on their interactions with the CSR decision-making process. The first group dealt with organizations outside the company that have been described as drivers for engaging in CSR, and had knowledge and experience with their company's CSR policies and programs. Although they were not directly involved in implementing CSR policies or programs, their perspective was valuable because of their interaction with external drivers, CSR programs, other employees, and their overall perceptions of company motivations for engaging in CSR.

The second group, CSR team executives or managers, were knowledgeable about the decision-making process for engaging in CSR. They were responsible for the design and implementation of CSR policies and programs; they had roles in translating the ranging drivers for engagement into strategies. The combination of both groups yielded a more complete perspective on how CSR decisions are formed from the interactions with external and internal pressures/influences.

Analysis (Section 3.5, p. 128) of interviews occurred simultaneously with data collection, and this provided insight into how to better optimize my interview method. As a theory began to form from the data, it provided guidance toward the theoretical saturation of data. Additionally, the focus of the questions was altered to probe specific topics brought to my attention by the forming theory.

The recruiting process consisted of sending emails and/or phone calls to various contacts from pharmaceutical companies in Canada and the US. The correspondence featured an invitation to participate in research that could be beneficial in understanding CSR at their company. All information attained from research pertaining to the names of the participating companies is considered confidential, have not, and will not be published.

Although there were no guarantees that companies would benefit from the research, it was still a way for the companies with a means to explain why and how their companies engage in CSR. Specifically, the benefits for participating corporations is that they can communicate their values and intentions, potentially affecting CSR for other companies within and outside of the pharmaceutical industry, while becoming more informed on the current CSR environment within the industry. This recruitment

process was appropriate because it served as the best means to secure the participation of the targeted group of pharmaceutical industry executives and managers.

The recruitment process ranged between difficult and easy because, in part, of the nature of a manager/executive's job. Committee members, my supervisor, and other faculty helped the recruiting process by providing me access to their contacts within the pharmaceutical industry. After creating a relationship with my initial participants, their contacts were used in a modified snowball effect (MSE), resulting in more contacts becoming available. In my research, the modification of the MSE is a process to build positive relationships with each manager/executive (i.e. the snowball) I interviewed, and then ask those respondents to use their contacts to help me identify and gain access to additional respondents (expanding of the snowball). For example, after multiple interviews I asked respondents from pharmaceutical companies in Canada to provide me with the contact information for their counterpart at their company's US affiliate or, in one case, global headquarters. As stated earlier, to comply with ethical standards I asked the participant to personally correspond with the potential contacts to verify if it was acceptable for me to begin contacting them. Additionally, I found it essential that I personally make formal contact with each possible participant so I could become better acquainted with him or her before the interview.

### **3.5 Data Analysis**

The purpose of grounded theory is to generate a substantive theory (Suddaby, 2006; Annells, 1996; Richardson & Kramer, 2006; & Scott & Howell, 2008). The complex process of constructing a theory from the data requires constant and iterative data analysis (Scott & Howell, 2008). My data analysis occurred simultaneously with the collection of data, leading to concepts and categories developing early on. Insights from early data analysis led to theoretical sampling that helped to focus questioning toward the developing theory and data saturation (Suddaby, 2006; McCann & Clark, 2003a; Charmaz, 2006). The constant analyzing and re-analyzing during data collection kept me immersed in the data and provided me with the ability to use developing concepts and categories as areas for probing in future interviews.

Constant comparison is the main analytical tool used by grounded theorist

throughout the process of coding and categorizing data toward the development of a theory. Charmaz (2000, p. 515; Glaser, 1978, 1992) provide a list describing what constant comparison entails:

- 1) Comparing different people (such as their views, situations, accounts and experiences);
- 2) Comparing data from the same individuals with themselves at different points in time;
- 3) Comparing incident with incident;
- 4) Comparing data with category; and
- 5) Comparing a category with other categories.

Constant comparison of numerous aspects of every piece or chunk of data proceeds until theoretical saturation occurs. It is the guiding analytical tool for the coding and categorizing of data (Glaser & Strauss, 1967). I applied each of the five strategies during my data analysis, and the results I found to be enriching and enlightening during the construction of my substantive theory. Evidence of my use of the constant comparative method is systemic throughout the presentation of my results (i.e. substantive theory).

I used the standard process of coding and categorizing data that is typically associated with grounded theory. I used three types of coding: open, axial, and selective (Strauss & Corbin, 1990; McCann & Clark, 2003a; Scott & Howell, 2008; Charmaz, 2000). Each type of coding is a step towards the next; however, the process of going through each type is not linear. Bouncing back and forth across the three with new and old data was required for constant comparison.

To help gain a better understanding of transcript content before coding, I personally transcribed 15 interviews verbatim from their audio recordings. I found that transcribing interviews myself was a fulfilling experience that increased my connection to and immersion in the data, thereby reconnecting me to the original interview experience and enhancing my theoretical sensitivity. The other seven transcriptions were done externally. However, I still made sure to completely read each of those seven transcripts to regain my familiarity with the content before coding them. Overall, 20 out of 22 interviews were conducted in person, with two occurring over the phone. All of the interviews were tape recorded to ensure accuracy and authenticity.

Secondary sources were collected as interviews were conducted. Prior to an

interview, I would browse the website of that respondent's company, to get a sense of its CSR programs and policies. Coding of such sources was conducted after the interviews.

McCann and Clark (2003a) provide a detailed explanation of each of the three types of coding (open, axial, and selective), which I followed throughout my data analysis. During open coding, I took the raw data, broke it down line-by-line, and coded each piece, forcing myself to become extremely familiar with the data. The purpose of open coding was not to create categories but to break down the data into usable chunks so that the relationships between them could be highlighted. Line-by-line (open) coding was applied to new data (discussed further in Section 4.1.2, p. 139), but paragraph coding was also used to code entire concepts that spanned multiple sentences.

Axial coding took the fractured pieces created by open coding and used them to identify the commonalities and linkages among the coded data; creating sets of categories and sub-categories. It was important to use constant comparison and abductive reasoning to construct the categories because it made me look past the surface of the data in order to find deeper and less obvious categories and sub-categories. Until categorical saturation was adequately attained, the categories were works-in-progress that required refinement.

The final type of coding is selective coding, and it resulted in the creation and development of the substantive theory. Selective coding was the process of identifying a common or over-arching core category that is directly or indirectly influencing the majority of developed categories. According to McCann and Clark (2003a), a core category may not be explicitly present within the categories, and this was the case during my data analysis. Rather, it developed using all three types of coding, abduction and constant comparison. The core category and its relationship with its four sub-categories that comprise it represent the constructed theory.

Selective coding and sometimes axial coding led to and inspired theoretical sampling. The resulting selections for theoretical sampling helped collect additional data for the developing theory (Cutcliffe, 2000; McCann & Clark, 2003a). In my data analysis, this process continued until I reached theoretical or categorical saturation. Saturation is the point where virtually no new data that is pertinent to the developing

theory is appearing (Suddaby, 2006; Strauss & Corbin, 1998; Cutcliffe, 2000). “The signals of saturation, which include repetition of information and confirmation of existing conceptual categories, are inherently pragmatic and depend upon both the empirical context and the researcher’s experience and expertise” (Suddaby, 2006, p. 639). I attained saturation of both my primary and secondary data after the collection and analysis of data from 22 interviews and the respective affiliate and headquarter websites of respondents. At the perceived point of saturation, data became overly repetitive, so it was deemed that further data collection was not required.

To conduct the first two stages of coding, open and axial, I used computer software, Nvivo versions 8 and 9. Although Nvivo can be used to extensively code and analyze documents, pictures, video, etc., I used it only as an organizational tool for coding and categorizing my data analysis. Using the basic functions of the software, I created open codes from imported interview transcripts into the proprietary term ‘free nodes’, which I could then title (code) appropriately. Most notably, I did not use free nodes multiple times throughout interviews, and instead I decided to contain the unique construction and context of each code within its own individual free node.

Based on the developing categories, I analyzed the free nodes and then clustered them together into ‘tree nodes’. During and after development, the free and tree nodes were constantly compared free to free, free to tree, and tree to tree. Additionally, for verification purposes coding of one interview was audited by an experienced qualitative researcher – Dr. Jason Perepelkin, Assistant Professor in the College of Pharmacy and Nutrition, University of Saskatchewan. Dr. Perepelkin coded one entire interview at the axial level and those codes were then compared to the ones I made on the same interview and were found to be very similar.

Coding of secondary sources proceeded differently than that of primary sources. Due to the size and amount of CSR information contained on many of the websites, it was not reasonable to break down over one thousand pages of discourse line by line. Instead, modified axial coding was conducted to group common themes, forms of discourse, and observations. After axial coding, secondary data was compared to itself and primary data to enhance selective coding.

As a substantial part of my data analysis, I used memoing and diagrams to help

organize and track my thoughts (Strauss & Corbin, 1990). Memos were especially helpful as a method to express my inner-dialogue with the data that I was collecting and analyzing (McCann & Clark, 2003). Writing 89 separate memos served as an organized way to think abstractly and express the theoretical connections that I was in the process of making (Charmaz, 2006). Sometimes referred to as journaling, memoing helped me to look at and examine the data in new ways; thereby, acting as a catalyst for creativity (Charmaz, 2000). Memo topics included my interpretations of social processes within and across companies, elaboration of categories, comparisons across categories, and theoretical ones aimed at continually adding to my developing theory. Overall, memos served as an extremely effective method to identify and elaborate the abstract linkages across categories and codes, to create a tangible core category that would serve as the backbone of my substantive theory. Six examples of memos can be found in Appendix B. The first is an early memo (Charmaz, 2006) that contains some of my more general observations of what was going on in the field when I was first collecting and analyzing the data. The remaining five illustrates memos that are more advanced (Charmaz, 2006), where aspects of my core and subcategories are beginning to develop. These five provide various perspectives, comparisons, beliefs, and assumptions about their topics, creating a foundation for my critical analyses and interpretations presented in my results and, most notably, discussion sections. Additionally, the memos are in their original, un-edited form.

Although I made multiple small diagrams during my data analysis, the majority ended up combining in an effort to construct a model to visually explain my “Model of the substantive theory of CSR evolution within the pharmaceutical industry” (Figure 4.3, p. 147). As the final product of continual improvements to multiple diagrams, it serves as a tool to illustrate the complex substantive theory I present in my results section.

Both diagrams and memos were required because the substantial amount of information collected and analyzed generated a massive amount of information to process. Keeping track of thoughts, no matter how small or large, helped the development and insight into the developing theory (Strauss & Corbin, 1990). However, the processing and comparing of data continued after memoing was complete, and as sections of the results were written, information from memos, diagrams, and open and

axial coding were continual compared to further refine the theory.

A more detailed explanation of how I used and applied the various aspects of data analysis to develop my substantive theory is explained at the beginning of the results section (4.1.2, p. 139). It provides further and more specific insights into the exact process of taking my two sources of data through the data analysis process and how it resulted in the creation a multi-narrative substantive theory.

### **3.6 Trustworthiness, Rigour, and Triangulation**

Trustworthiness, rigour, and triangulation are intertwined with the grounded theory methodology. Trustworthiness appears to be a more quantitative or positivistic (objectivist) term because it denotes the accuracy of a truth. Constructivist grounded theory is not in search of a truth but rather the interpreted, multiple perspectives that socially construct the multiple realities of a phenomena (Charmaz, 2000). However, the quantitative version of trustworthiness can be bent in ways to make it usable in qualitative research: the trustworthiness of the constructed theory is reinforced by the inherent triangulation and rigour associated with a comprehensive approach to grounded theory.

Rigour was required to adequately implement and express all seven key elements of grounded theory (McCann & Clark, 2003a, p. 10):

- 1) Theoretical sensitivity;
- 2) Theoretical sampling;
- 3) Constant comparative analysis;
- 4) Coding and categorizing the data;
- 5) Theoretical memos and diagrams;
- 6) Literature as a source of data; and
- 7) Integration of theory.

As detailed in the data analysis section (p. 128), the first five elements were rigorously carried out during my research, while the sixth was applied during my literature review. The cumulative effect of the application and interaction of the first five element led to the creation, modification, and then integration of a substantive theory. It is important to note, however, the sixth elements had a purposely-limited effect on my results sections, but is an integral part of my discussion where insights from comparing the literature to my substantive theory are discussed.

Although McCann and Clark (2003a) recommend it as a source of data, I adhered to the more traditional stance of not letting the literature have too much effect on my substantive theory until after I had constructed it. In my discussion, I compare it to the literature to further modify and explain my substantive theory.

In addition to the development of a substantive theory, the rigorous following of these seven elements of grounded theory led to categorical or theoretical saturation. The point of saturation provides verification for the research (Suddaby, 2006) because virtually no new theoretical data is being collected, resulting in the most complete picture that can be created from the data. The relationships among constant comparison, theoretical sampling, and coding and categorizing resulted in further verification throughout the entire research process (Annells, 1996). Verification occurs in the sense of triangulation rather than the positivist or post-positivist meanings of its quantitative use, which assumes verification only occurs at the end of research. Verification in constructivist grounded theory does not seek to use statistical tests (positivism) or the falsification of a null-hypothesis (post-positivist) to verify the theory and consequently the research (Annells, 1996).

Triangulation was accomplished through the constant comparison of multiple data sources (McCann & Clark, 2003c). In this context, multiple data sources are not only interviews in comparison to company CSR publications. Rather, the constant comparison methods were comparing each piece of an interview to each other, publication-to-publication, etc. Triangulation was based on the rigour of constantly comparing each source of data and using theoretical sampling to focus data collection towards saturation (McCann & Clark, 2003c).

The discussion of trustworthiness, rigour and triangulation hints towards the evaluation of the constructed theory. Glaser presented four key criteria to evaluate a theory developed using grounded theory (Glaser, 1978, 1992 cited in McCann & Clark, 2003b p. 26):

- 1) Fit – the categories within the theory must directly relate to the data;
- 2) Work – the theory should have an explanatory power and be able to interpret what is taking place within the context of the theory;
- 3) Relevance – the theory is relevant because the researcher allows the core problems and processes to emerge from the data rather than attempting to impose a preconceived theory on to the area of study; and



- 4) Modifiability – given that the social (or clinical) world is constantly changing, the theory must be adaptable and modifiable.

The third criterion does not pertain to constructivist grounded theory because it is overtly positivist. However, the other three illustrate the need for rigour and triangulation throughout the grounded theory research process. Obviously, the language within each of the criteria is positivist, but the foundation of the three criteria can translate to a constructionist epistemology. For instance, my categories represent the many interactions that shape the participants' interpretations of their social worlds, and my substantive theory compiled those interpretations as the inner-workings of categories meant to give them shape. My substantive theory works to present a glimpse into the range of influences of the CSR decision-making process according to those with an internal perspective. Lastly, as a glimpse, my substantive theory is therefore modifiable because it acknowledges there is a constantly changing, or evolving social world (social context), where it is possible to describe what is presently occurring, but a multitude of variables can affect the functioning of the theory in the future.

### **3.7 Summary**

Using qualitative research as a foundation, there is a consistent stream of purpose to the adoption of my constructionist epistemology, constructivist grounded theory methodology, and the accompanying methods. From the beginning, I decided to use qualitative research as my overarching method of inquiry because I believed that it did not share the same limitations of quantitative research and it provided the necessary flexibility and depth I required to adequately examine CSR within the pharmaceutical industry. Next, I selected a constructionist epistemology because it best represents my own beliefs that knowledge is constructed through our interpretations of the world as we interact with it and others. Based on my two previous selections, I decided to adopt a constructivist grounded theory methodology because it aligns with both my conceptions of knowledge creation and requirements for flexibility and depth. As the dominant data collection method used by grounded theorists, I wanted to use semi-structured interviews as my primary method of data collection. Additionally, secondary sources,

which are also common to grounded theory, were used comparatively with the primary data to add more depth and perspective. Lastly, I used the data analysis methods associated with grounded theory to develop a substantive theory that explains why and how pharmaceutical companies are engaging in CSR.

The data analysis process took a number of different interlocking concepts to develop a theory from the data. Coding and categorizing began during the collection of data, and it proceeded in a non-linear fashion, bouncing back and forth, constantly comparing and analyzing each piece of data. The iterative and circular process developed into theoretical pathways that required further examining. Theoretical sampling followed the pathways and provided further data with an aim towards theoretical saturation. The cumulative amount of information was daunting, so memos and diagrams were used as markers for thoughts and creative tools to further analyze the components of the developing theory. The result is a theory that was constructed from multiple perspectives and woven within a multi-story narrative. “The seamless craft of a well-executed grounded theory study, however, is the product of considerable experience, hard work, creativity and, occasionally, a healthy dose of good luck” (Suddaby, 2006, p. 639)

#### 4. RESULTS – Substantive Theory of CSR Evolution within the Pharmaceutical Industry

##### 4.1 Demographics and Introduction

###### 4.1.1 Demographics

Managers from eleven companies (nine brand name and two generic) participated in the study (Table 4.1). In total, 22 interviews were completed, and consisted of fifteen Canadian managers, six American managers, and one British manager. Additionally, there were three companies where interviews were conducted with managers from both Canadian and American affiliates of the same company.

**Table 4.1 – Positions Held by Respondents**

Company	Position								
	Vice President	Executive Director	Director	Associate Director	Senior Advisor	Program Organizer	Senior Director	Senior Manager	Regional Manager
1			1(C)						
2			2(C), 1(U)	1(C)	1(U)		1(U)		
3			1(C)						
4									
5	1(C)							1(C)	
6						1(C)			1(C)
7			1(C), 1(U)						
8		1(C)							
9	1(C)								1(C)
10			2(C), 1(U)						
11	1(UK)								
<b>Total</b>	<b>3</b>	<b>1</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>

\* (C) - Canada, (U) - USA, (UK) - England

The positions held by respondents within their respective companies included those directly related to each company's CSR programs, and those distanced from such programs, but still affected by CSR policies. The range of perspectives based upon the positions held by participants provided an insightful range of interpretations regarding CSR within the pharmaceutical industry.

Although it was the intent of the study to interview executives/managers from more than two generic companies, the ones I contacted from other generic manufacturing companies were not willing to participate. The two interviews conducted with executive/managers from two generic companies participating in the study provided

a perspective from generic companies; but I deemed it be insufficient to make overt comparisons and distinctions between generic and brand name companies. However, these two interviews are still included because the information they provide makes an important contribution to theory development.

#### 4.1.2 Introduction: Constructing the substantive theory – Process and Path

The overall goal of my research project was to develop a substantive theory of why and how the pharmaceutical industry engages in CSR. The process of constructing the substantive theory was immersive; in that I had to thoroughly analyze the information from transcripts and secondary sources to create an understanding of the multiple narratives at play, including my own. Throughout the course of data collection and analysis, theoretical insights began to develop until saturation was reached after 22 interviews were conducted and analyzed, including secondary data sources. To reach the point of theoretical saturation when the substantive theory could be developed, I employed a multifaceted, iterative approach to data analysis that relied on three levels of coding (open, axial, and selective), memoing, and diagraming; all facilitated by constant comparison and theoretical sampling (see Figure 4.1).

The coding of data started my journey towards interpreting how respondents understand and manoeuvre within their social context, and within their companies. As well, how they perceive the actions of their companies in response to the constraining and enabling forces within the larger macro-environment. By using open coding, to break down interviews line-by-line, the respondents' interpretations were dissected into small, usable, and labelled chunks of data. The chunks were then constantly compared to the other codes and developing categories of that particular interview through the use of axial coding, while also comparing it to each level of coding from other analyzed interviews. Although the analysis of the first interview followed a rather linear pathway, the addition of more interviews and secondary sources added complexity to the iterative comparisons across all three levels of coding.

The coding and categorizing process, however, was not sufficient to generate a substantive theory. As a standalone data analysis process, it does not provide the insight needed to critically analyze data toward the goal of theoretical saturation

because it lacks the capacity to refine the results through constant comparison. As a result, I relied heavily on memoing, including some diagramming, to map out and refine the constant comparisons of each interview across the three levels of coding in order to achieve theoretical saturation.

As a guide for memoing, I relied on the seminal work of Charmaz (2005) in her book: *Constructing Grounded Theory*. While Charmaz (2005, p.85) provided many suggestions, I focused on four specific tips on writing memos for the purpose of constructing a substantive theory: 1) stop and think about your data; 2) avoid forcing your data into existent concepts and theories; 3) develop fresh ideas, create new concepts, and find novel relationships; and 4) develop connections between categories. These four tips transformed the act of memoing into a practice reminiscent of a research process journal, whereby theoretical generation can be observed from start to finish. As well, these four tips detail how memoing was used to inspire both creativity and clarity in the data analysis process and the subsequent development of a substantive theory.

Throughout the coding process, I focused on creating codes that detailed the actions and processes the respondents were attempting to describe. I wanted to preserve them in the narratives of each respondent's interpretations of why and how they occur so that they could be compared to the codes both later in that particular interview and across other interviews. Notably, the process of actually comparing codes occurred in the narratives I created in memos and diagrams (both to be discussed later).

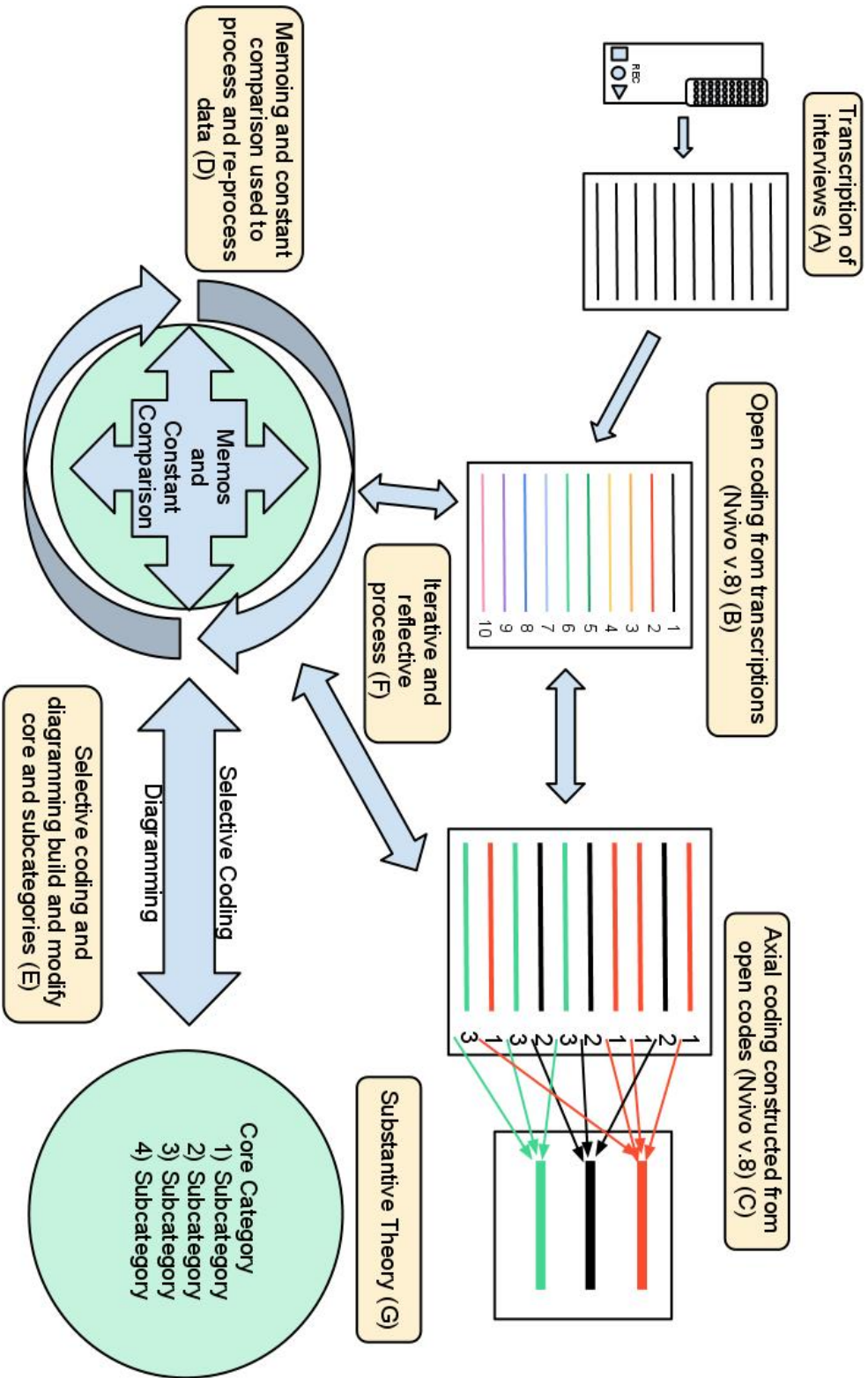


Figure 4.1 – Constructing a Substantive Theory

After open coding (Figure 4.1 – Process B) was completed for an interview, I sorted through the codes and identified common categories from which I created axial codes that could be constructed to group together related actions and processes, as interpreted by myself and the respondents. At the same time, I was creating modified axial codes on the CSR information on websites of the respondents' companies.

Upon completion of the open and axial coding (Figure 4.1 – Process C) of the first interview, I began to write a series of memos that were intended to detail how the actions and processes captured by the codes and categories function (Figure 4.1 – Process D). Included in the analysis of their functioning is my interpretation of the respondent's interpretations as to why and how certain actions and processes at their company were happening.

As additional interviews were analyzed, I relied increasingly on constant comparison to build a theoretical framework that would serve as the basis for presenting a multi-story narrative or substantive theory that addressed the topic of CSR engagement in the pharmaceutical industry (Figure 4.1 – Process D). For example, the depth of analysis in early memos reflected the limited amount of content from interviews. Topics from memos included: need to focus CSR, motivations, CSR measurement, and CSR targeting. As coding progressed through additional interviews, the memos became more focused on the categories that were becoming saturated. However, outlier categories and/or codes were still used because they were beneficial in detailing alternative perspectives. At this point, memos focused on theoretical insights developed into categories such as: the evolution of CSR as tied to the internal and external pharmaceutical environment, emerging interpretations of CSR evolution, quick thoughts on the symbiotic relationship, and the leveraging of CSR to enhance the win-win scenario (an example of an outlier).

The theoretical insights I made using memoing guided me through the process of selective coding required to create the core category that would serve as the overarching theme for the constructed categories (Figure 4.1 – Process E). My research goal was to identify why and how the pharmaceutical industry is engaging in CSR. The core category that was created and best articulates this goal is the process of 'CSR evolution in the pharmaceutical industry'. The core category, however, is a hollow shell

unless the subcategories that comprise it are focused and detailed enough to explain its effects and inner-workings. As a result, I needed to ensure that within my subcategories, all the necessary information can be found to comprehensively explain why and how the pharmaceutical industry engages.

At this stage, I had created the core category that would serve as the vessel for my substantive theory, but I still needed to focus my existing categories into the main subcategories. Memos now included the following: communication requirements for CSR success, the influence of drivers on strategies to realize anticipated benefits, developing a value-base decision-making process, evolution of CSR in the shared-value space, evolution towards CR integration into the business strategy, and CSR strategy and the continual improvement process. It became clear to me that I needed to further analyze and interpret the functions and purposes of the range of categories in order to transform them into the necessary subcategories.

After I had completed the core and subcategories, I moved away from using memos for analysis and interpretation to diagramming because I believed that using visual explanations to make creative connections across my existing theory would help to complete the substantive theory (Figure 4.1 – Process E). I began this process by listing the potential subcategories, and then I used a white board to map out the connections among them. Diagramming provided the additional perspectives and insights needed to narrow-down and refine the various subcategories into the four that would best articulate the processes and purposes that comprise the core category.

It must be noted, however, that even when memoing ceased, its underlying process continued as I wrote the substantive theory. Using information from memos, I began writing my results sections, but as I did that I continued to refine the subcategories by constant comparison with both sources of data. As the writing process occurred, I identified different or new elements of relationships and gaps in my theory that required clarification. Therefore, the writing process further transformed and elaborated the content on memos in a way that is nearly identical to memoing.

The first subcategory is the social context of the respondents and their companies, and it provides a comprehensive description of the relational forces that are interpreted as constraining and enabling the actions and behaviours of the



pharmaceutical industry. The second subcategory is comprised of three CSR perspectives that detail the evolution of why and how the pharmaceutical industry engages in CSR. To ensure the internal and external context is capable of perspective evolution, the third subcategory represents the interdependent elements of the company that are continually improved upon to align and shift its capabilities. Each of the three sub-categories operates with respect to the fourth subcategory, the symbiotic continuum, that represents the perceived priority alignments between pharmaceutical companies and the actors within their social context.

Overall, respondents and their company's websites and CSR reports provided comprehensive interpretations of why and how their companies engage in CSR, but these narratives needed considerable processing and interpretation to construct and articulate a substantive theory. The process of using constant comparison in combination with coding and memoing refined my theoretical insights (Figure 4.1 – Process F) to a point where I could use diagramming to put all the pieces together and construct a model to articulate the substantive theory (Figure 4.1 – Process G).

For further clarification, Figure 4.2 provides an example of the coding process using nine selected codes from Interview 20. My intention is to illustrate, specifically, how an open code becomes part of one or more axial codes, how the axial codes are theorized and compared to others in multiple memos, and how they contribute to the selective codes, or subcategories, that are under construction. Notably, the axial codes are shown as being part of each memo in Figure 4.1, but this is not meant to state that each has an equivalent amount of focus in each memo. Rather, each axial code had a role in the process of constant comparison within those particular memos, but the amount of focus on each varied according to how it related to the topic of the memo. Each stage of analysis depicted in Figure 4.2 is an example of processes B, C, D, and E discussed earlier in Figure 4.1.

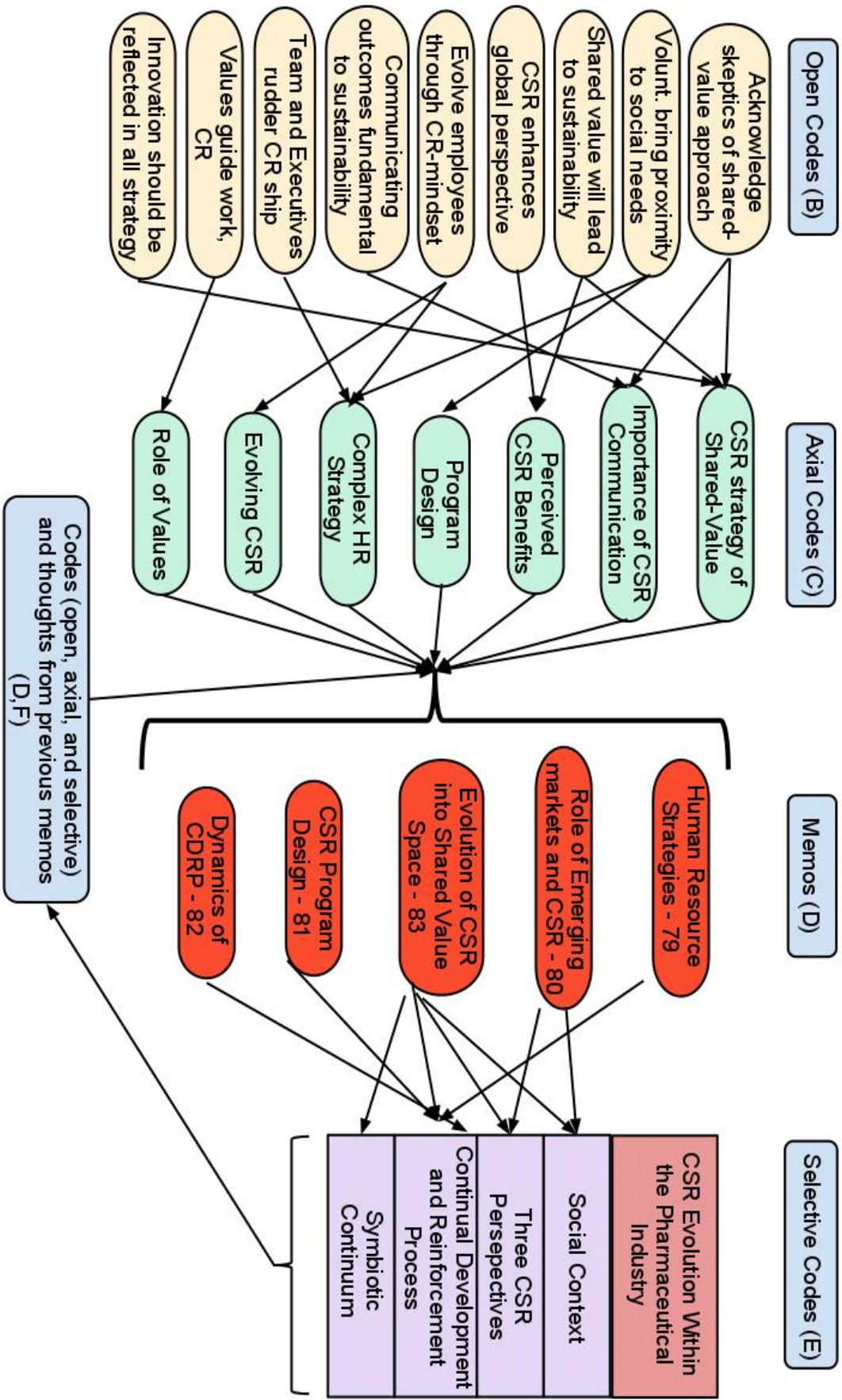
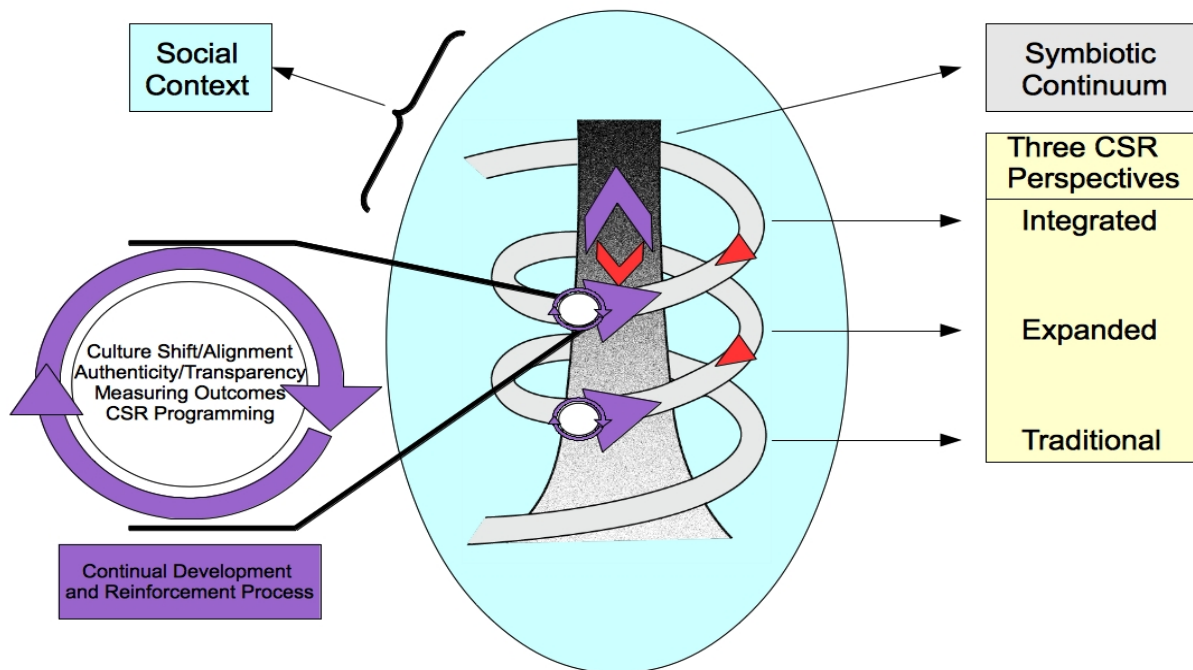


Figure 4.2 – Example of Coding Process (Interview 20)

As a result, the theory and its accompanying model present an evidence-based framework for the industry's evolutionary process for CSR (core category) by articulating the relationships, interactions, and influences of its four subcategories: 1) social context; 2) CSR perspectives; 3) continual development and reinforcement process (CDRP); and 4) symbiotic continuum (See Figure 4.3)



**Figure 4.3 – Model of the Substantive Theory of CSR Evolution within the Pharmaceutical Industry**

I interpreted that, similar to the different functions of the parts throughout an automobile, the subcategories in the model are separate processes that also interact and relate to each other to create the conditions necessary for the functioning of the core process: the evolution of CSR engagement. Based on this premise, the following four sections detail each subcategory in isolation, as to address its individual function, and how they interact with each other in an attempt to drive a larger, core function: CSR

evolution within the pharmaceutical industry.

## **4.2 Social Context**

Based on the comments of the respondents, the pharmaceutical companies appear to operate within a complex social context containing multiple layers of actors, each with their own concerns and expectations. Ranging from highly competitive to the unified, the concerns and expectations of these actors construct frameworks of evaluation and the consequences of violation. The constraining and enabling forces that result have the potential to influence the actions and behaviours of companies within the industry. Based on the comments of respondents, it would appear that companies attempt to navigate the constraining and enabling forces by identifying and assessing those with the most potential to impact their business operations, either positively or negatively. The compilation of forces pushing and pulling each company within its social context appears to be the major catalyst for the creation and continual development of each company's unique CSR perspective and its resulting strategies.

Similarities in the interpretations of their company's social context and their own perspective of CSR were found across the companies included in this study. These commonalities appear to form the foundation for the industry's social context, and to serve as the basis for understanding the CSR decision-making process. It is important, therefore, to explain and understand the social context in which companies operate as it provides a glimpse into the maelstrom of constraining and enabling forces that are processed and then prioritized during the CSR decision-making process.

Based on information collected from the respondents and company publications, there are a variety of actors, commonly referred to as stakeholders by both respondents and company websites, interacting with the companies and each other within the social context of the pharmaceutical industry. I observed that a substantial part of a company's decision-making process is acknowledging that they must better address stakeholder expectations or face the negative repercussions.

In identifying their stakeholder expectations, respondents referred to an intangible threshold called 'license to operate' (LTO) that is mutually constructed by stakeholders as a 'roadmap' for what is effectively the responsibilities or obligations of

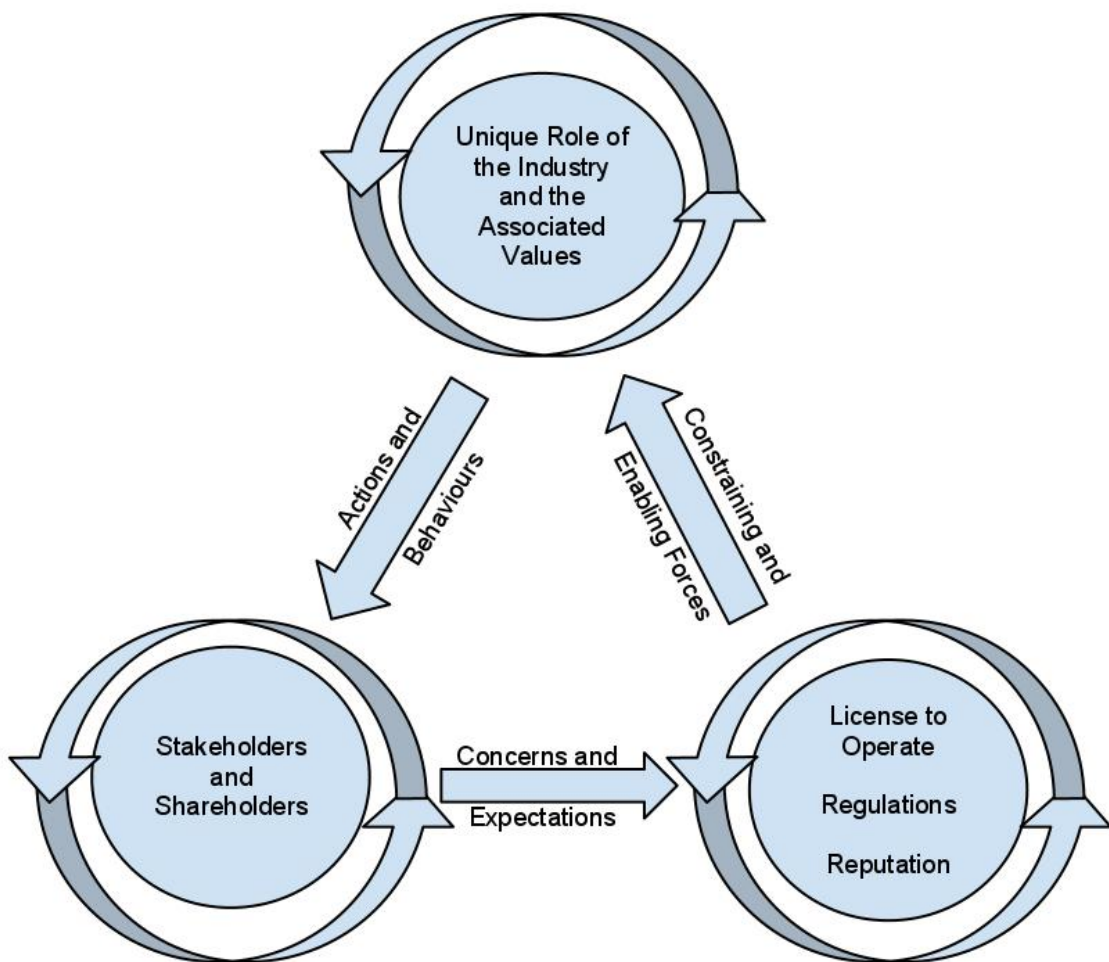
specific pharmaceutical companies and/or the industry as a whole. The LTO with regard to CSR is interpreted as being constructed and then translated through the interplay of these stakeholders, the business orientation of the industry, and each company and its articulated values, to create perceptions of responsibilities. There is often no set point where LTO is violated, but the risk of potentially reaching a point where it can be perceived to be violated, creates priorities for the industry to create policies and programs (e.g. CSR) to mitigate this possibility.

'Soft' risks resulting from some violation of LTO were perceived by all the study respondents. However, based on the information collected and presented below, I believe that the most substantial external reason to mitigate risks of violation is the threat of further regulation of an industry that is already considered to be one of the most highly regulated in the world. In addition, employees are increasingly aligning with elements of the external LTO, reinforcing it internally, to create greater proximity at the company to the influences of the constraining and enabling forces. Providing further justification for an evolving response to these forces, shareholders were perceived by many respondents as increasingly encouraging them to increase their CSR engagement.

The results section begins with the how respondents have interpreted the business and societal role of their companies and the entire industry, including how it has changed overtime. Next, I will discuss the implied values of companies that reflect and reinforce both the perceived role of pharmaceutical companies and how values function as a lens to assess and navigate the pressures of constraining and enabling forces. Resulting from company perceptions of their unique role and the accompanying values, and how constraining and enabling forces might affect each is their actions and behaviours, which can include CSR practices and structures.

Stakeholders and shareholders respond to the actions and behaviours by developing, maintaining, and changing their concerns for and expectations of pharmaceutical companies. These concerns and expectations form the basis of company/industry reputations and an intangible threshold to evaluate the appropriateness of their actions (LTO). Importantly, the interactions of socially constructed perspectives have the potential to result in the implementation of soft and

hard regulations to curb or shape certain undesirable industry practices. The combining risks and consequences associated with reputation, LTO, and regulation have translated into forces that pressure the current role and values of companies toward certain actions and behaviours, albeit in varying degrees. This circular and relational process of socially constructed influence is depicted in Figure 4.4, and will be detailed further in this section about the social context of the pharmaceutical industry.



**Figure 4.4 – Relational influences in the Social Context**

#### 4.2.1 Unique Business and Societal Role of the Pharmaceutical Industry

Based on the comments of respondents, the products of the pharmaceutical industry and how it goes about commercializing those products creates linkages to their external environment. According to respondents and company websites, unlike most other industries the pharmaceutical industry produces and commercializes healthcare products that serve to cure or treat health-related conditions. Perceiving a linkage between their products and a high level of importance, respondents describe the role of the pharmaceutical industry as vital to society and therefore, it has an “inherently good purpose” (Respondent 19). According to respondents, the 'good purpose' originates from the industry's role within the healthcare industry as a provider of innovative healthcare products:

Yes, of course our key responsibility as an innovative pharmaceutical company is to conduct research to develop new medicines. That's what we do. That's our core business. (Respondent 10)

The pharmaceutical industry has a dual role that combines for-profit entities with responsibilities to society as healthcare providers. Based on the comments of respondents, all of them think that the purpose of their companies is to create and distribute products that reduce morbidity and mortality; but they need to do it in a way that is profitable. Business needs to be sustainable or they will not be able to continue to develop additional healthcare products.

We have a product, medicines are our product, and it is a product that can save lives or help people live longer. We are not a charity, so we are going to make money on it, but we are going to do it in a responsible way. (Respondent 17)

Healthcare products and their inherent societal importance dominate the discourse throughout company websites, with discussions about the requirement to make a profit or sustainability noticeably taking a backseat. For example, most websites were saturated with healthcare-related imagery and featured written communications implying how they help mitigate quality of life issues of people suffering from a medical condition. Financial information tended not to be tied in with healthcare discourse. From this and other comments made by respondents, it appears that there is uneasiness about making overt linkages between their products and the requirement to make profits. Instead, they attempt to quell concerns by emphasizing comments

about continuing to strive for profits and how it will be done in a responsible way.

Although the industry has proven itself successful in developing life-saving products, in some of the comments made by respondents, there are issues and/or controversies that challenge their ability to continue to develop innovative products and sell them in ways that are less ethically questionable. For example, some respondents indicated that the industry is having difficulties with a “pipeline that isn’t producing” (Respondent 22), and that the entire industry, and not just individual companies, are facing considerable challenges in dealing with a declining reputation:

We’ve been compared to tobacco companies and we’ve been accused of a lot of different things. I think it’s created a lot of soul searching in the company as to how did this happen and what can we do to change it. (Respondent 6)

There appears to be a misalignment of perceptions as to what 'responsibility' means between the companies and the individuals/groups that portray the industry as having a poor reputation. While respondents often perceive their companies as completing their 'key responsibility' in a 'responsible' way, it is shocking to them when controversies do emerge because it is difficult for them to understand what could have caused it. They viewed the normalized practices within their company cultures as 'right' and deviation from those practices or having them viewed as 'wrong' was difficult to cognitively process.

The industry appears to be generating controversy within their social context. They are perceived as failing to fulfill their traditional role as innovative developers of medicines while also operating in ways that are considered irresponsible. However, respondents seem to be experiencing a moral dilemma as to why such a misalignment of perceptions about responsibilities exists. This dilemma has created conflict between their values as individuals and as employees of companies that are supposed to be guided by values.

#### 4.2.2 Values

As discussed in the literature review, values are subconscious guides that help people make judgments and choices about their own and others actions and behaviours (Baker, 2005). Additionally, the importance of shared and expressed values in the



business environment has been being positively linked to performance (Campbell, 2004).

According to the respondents, companies have embraced values by broadly expressing and entrenching into their culture those values perceived as important in achieving the goals of their business. An example of this was the reinforcement of values during evaluations of employee performance. However, after examining company websites, the values publicized by companies also appear to be a method to project a value-infused persona that is intended to create trust by normatively relating their values to those of the actors in their social context. For example, values regarding financial performance were absent in comparison to societal/health-related ones on websites, but most respondents explained that, as a business, there is also value in being profitable. The result is that each company has a defined set of single-word or phrase-based values that are articulated to show their influence, importance, and integration into the actions and behaviours of the company. The values appear to be designed to relate to the normative concepts that companies perceive as widely held internally by employees and externally by other stakeholders. To reinforce a perception of normative relation, the values are widely communicated both internally and externally to stakeholders to increase and shape understanding in the hope that groups will better relate with a company's values; a process designed to create alignment of company priorities with the perceived priorities among stakeholders.

All of the respondents and nearly all the company websites described a long tradition of reinforcing and emphasizing the importance of aligned values throughout their companies. Notably, some Canadian affiliates did feature extensive websites but the respondents of those companies still described the importance of values. The purpose of values is perceived as providing an intrinsic framework for guidance – one that is currently focused on trying to create ethical criteria for the business's decision-making process.

What we've done is set out our values and if people understand those values and what the expectations are around those values, they can then use those to inform decision-making that may go outside the sort of strict rule set out in a policy. (Respondent 19)

It is that set of values that is supposed to guide our work broadly. There are

echoes of that in the strategic statement we have for our global health programs. (Respondent 20)

They (values) interact in everything we do. (Company A)'s values are inherent in everything that we do; they're the backbone of the organization (Respondent 2)

What the respondents did not discuss was the communication of their values to external stakeholders. Their perceptions of values revolved around how they interpret their use and importance within the organization. However, respondents did suggest that values are communicated externally in the actions and behaviours of the company.

Some respondents thought that for employees to understand company values and their attributed expectations they need to be effectively communicated and reinforced throughout the hierarchy of the organization.

We have a set of four core values that are the foundation of our brand, and it's something that we have spent a lot of time training and educating our employees on. (Respondent 18)

Based on position, some respondents were evaluated and educated on values, while others were responsible for the evaluating and educating other employees. Regardless of position, all the respondents were routinely exposed to the company's expressed set of values.

According to the respondents, company leaders are identified as the main source of articulation and guidance as to the purpose and integration of values and how they should reflect and/or shape the company's vision and its priorities.

We have a book, an approach that really looks at (Company A) values and its updated on a frequent basis every 2 years, 3 years, *et cetera*, and what that book really talks about our core values of the organization and then specifically talks about what are the implications. (Respondent 3)

Additionally, most respondents perceived the leaders of their company as attempting to align the company values with their personal vision. An important part of this process is creating motivation for the vision by encouraging greater value alignment among employees: "Our president certainly sets the tone and has clearly articulated the importance of our values and the importance for us to really be focused on ethics" (Respondent 5).

The single-word values that the leaders continue to shape through articulation

have gained an almost iconic status within many companies, and it appears to be quite rare for the communicated set of values to change. Indeed, most of the respondents' companies still subscribe to the same single-word values that the founder of the company first articulated.

These are probably the three values that have been articulated since the company was started. Embedded within those concepts, though, are a great many things. (Respondent 21)

Value reinforcement not only occurred in the communications from leaders to employees, but in the recruitment and retention process and the promotion of actions that demonstrate the application of values. Respondents often commented on how those seeking employment are increasingly interested in finding a workplace where their individual values aligned with those expressed by the company. Companies are motivated, therefore, to communicate their values and use tools such as their websites to publicize their values to sustain or create a positive reputation with people searching for work.

I just think that the kind of profile of individuals that (Company A) hires brings in people who want to give back and want to give back both through their work, and in the form of improved health. As well, I really haven't run into anybody who doesn't want to be involved in the community and (doesn't) have a sense of purpose bigger than their own life. (Respondent 22)

The retention of talented employees who embrace the company values was also important to respondents. Although not stated openly, it was implied by many that value alignment could add predictability to actions and behaviours of employees. This is especially important if companies are trying to curb certain actions and/or behaviours that they perceive to be detrimental or risky to some aspect of company performance. In effect, employees are embracing the values of the organization. For example, respondents described values assessment as a part of their overall employee evaluations:

In our evaluations and our objectives every year there is a section called being responsible, being ethical, and living the values. We're actually rated and evaluated on them – every single person that works for (Company B). So, although it comes from the top, the bottom is in agreement that this is the right way to do it and many of us wouldn't work here if we didn't feel the culture was like that. (Respondent 11)

In the above quote, the respondent describes two-way expectations between the leadership and the other employees of the company. In the quote, the respondent uses 'responsible' and 'ethical' with reference to living the values. I perceived this to be a product of the relationship between the leadership articulating the values and employees adopting but also influencing them. Not only are the values being used to inject these two words and their accompanying meanings into the consciousness of the company culture, but they are also a response to expectations of that culture. There appears to be an expectation to be responsible and ethical that originates from both the leadership and the employees.

#### 4.2.3 Stakeholders

Consistent with the CSR/business literature, respondents perceived stakeholders as groups or individuals with a claim to some level of non-monetary investment in the operations of the company (Freeman, 1984; 2007), from which they create concerns and expectations of how companies should conduct business. Respondents explained that it is important to address stakeholder expectations. From these acknowledgements and other statements from the respondents, I presume stakeholders are increasingly gaining the ability to influence company and/or industry decision-making. Acknowledging and then responding to stakeholders appears to be a difficult balancing act for companies because of the size and scope of companies has created a diverse range of stakeholders and for most companies the broadening of stakeholder dialogue is still in its early stages. As a result, I interpreted a common theme that suggests individual companies have neglected some of their stakeholders' concerns and expectations. This neglect has subsequently transformed the concerns and expectations into constraining and enabling forces with increasingly greater influence on pharmaceutical companies to adopt a wider set of responsibilities to both specific stakeholders and society in general. In an apparent response to these forces, companies are attempting to increase their perceived levels of responsibility through programs and policies categorized by them as CSR, or some variant of that label.

As they interpreted the variety of sources creating constraining and enabling

forces, respondents identified the following groups of internal and external stakeholders: patients, governments, employees, NGOs, local communities, and the media. Although categorically separated, shareholders represent the most explicitly influential stakeholders. As owners, they represent the group with the greatest financial and legally recognized stake in the company. Each of these seven (stakeholders and shareholders) groups will be presented to show how they play both unique and interdependent roles in driving the growth of the forces that are trying to influence companies to enhance their responsibilities with regard to stakeholder concerns and expectations.

#### *4.2.3.1 Patients*

According to respondents, patients represent individuals and their supporting groups that require the medicines and other healthcare products produced by pharmaceutical companies to alleviate single and/or multiple health-related conditions (the core purpose of the industry). Discussions with respondents about patients revolved around how it is of the utmost importance that the concerns and expectations of patients are adequately addressed. Most respondents thought that it was required of their companies to put the patient before profits, and if this is done then profits will follow.

I think it starts with the patient. I think what we've decided as an organization is that they kind of go hand-in-hand: why we're successful as a business is because of what innovative medicines we bring to patients. (Respondent 6)

A patient focus that leads to profits suggests an industry seeking to achieve a unique balance of its dual role as healthcare providers and for-profit entities. However, I perceived this view presented by respondents as somewhat idealistic. Although the company is oriented around the development of healthcare products, reputation issues resulting from controversies raises questions as to how consistent is their application of this principle. If strategies were authentically designed to put patients before profits, then would the concerns and expectations for more responsible actions by companies exist?

My interpretation of the patient focus is that it is an interesting dynamic from a

business perspective. In most developed countries, the patient is not the major payer; therefore, companies are actually focusing on the end-user rather than the payer in many circumstances. Additionally, respondents indicated that patients typically have a selective recognition that prioritizes pharmaceutical product names over the name of the manufacturing company. Patients routinely remember the name of the medicinal product they are taking, but do not make the connection between the product and the company that produces it. If this is true, why do patients have so much ability to influence decisions? One explanation is that patients are the origin of all stakeholders' concerns and expectations of the pharmaceutical industry. If patient needs are adequately addressed, then the other stakeholders may have less reason(s) to develop and use forces to influence company decision-making. As a result, even though their natural business operations attempt to address the main expectations of patients - the production of safe and useful medicines - the focus on a wider range of patient needs continues to develop, in part, because their expectations are not as basic or influential as previously assumed.

CSR is an approach to corporate strategy that incorporates a lot of what previously would have been considered externalities, which is both how the broader world that a company operates affects the material impact and operations of the company and also how the company itself has a much broader impact on the broader world. (Respondent 4)

To partially address the range of patient expectations, I believe the prioritization of the patient has transformed into a prioritized focus of CSR at the pharmaceutical companies represented by the respondents. The majority of CSR revolves around improving the health of patients and, depending on the company, it has evolved to broaden the definition of a patient from those exclusively using the medications developed by that company to public health in general. "I think it's intrinsic, that corporate responsibility in terms of the public health mission that we all carry with us" (Respondent 22).

Whether it is through donations to patient groups or partnering with them, aiding the development of health infrastructure, or knowledge transfer programs, the pharmaceutical industry has increasingly directed their CSR programs both directly and indirectly toward their corporate missions; which was described by respondents as

revolving around patient and public health. Respondents observed this process as a response, both reactively and proactively, to the 'social needs' of patients.

The need for the, let's say, the diabetes patient; so we do put a lot of money with the diabetes patient that will help them and support them. It will help them in their day-to-day life, but it will always be seen, at the end of the day, that we do that for our own benefit because, at the end of the day, these are our customers. (Respondent 15)

Other stakeholder groups are offshoots of this main priority because benefits generated from targeting patient and public health with CSR programs and policies may result in indirect benefits for other stakeholders and the company.

#### *4.2.3.2 Government*

According to all respondents, governments represent one of the most influential stakeholders in the pharmaceutical industry. Not only do governments tend to be the largest payer for pharmaceuticals in most countries, they are also charged with the duty and ability to develop, monitor, and enforce the regulations (Section 4.2.6, p. 177) that attempt to control the actions of the pharmaceutical industry. Based on the respondents' comments about governments, I believe that the combination of influences from their roles as payers and regulators creates a scenario where it is necessary for companies to acknowledge that they must respond in some way to the expectations of governments:

Government is a big one (stakeholder). They're the ones who foot the bill for a lot of the medicines, so their actions and words are important. If they're saying things like, "we value innovation" and "medicines are a cost-effective way to deliver healthcare", that's good. If they look at us or say, "they're overpriced", "they're unsafe", "you need to do more homework", "you need to lower your prices", then obviously we have opposing views on this and we have to find a way to find the middle ground or a mutual purpose. (Respondent 6)

How the government perceives the industry, whether they are a necessary or unnecessary cost, for example, shapes how they will use their powers of influence to constrain or enable certain actions by the industry. Governments have the ability to make decisions that affect the bottom line of the companies, either positively or negatively. As well, in the preceding and following quotes it is implied that governments also filter public opinion, including those the stakeholders described in this section,

when making decisions that can affect the pharmaceutical industry.

It (crisis of rising healthcare costs) means that they (government) have to make decisions sometimes that will have an impact on us, which is not necessarily the best decision because we are an easy cost to target and people generally don't like us. (Respondent 15)

If this is the prevailing public opinion as the respondent claims, then it makes it more socially acceptable for governments to take actions against pharmaceutical companies because it is likely to benefit other stakeholders, including themselves.

Based on discussions about the role of government, I observed a difference in the perception of government influence between respondents from the Canadian and American affiliates of their respective companies. Canadian employees were more critical of the government's influence and actions as the major payer of pharmaceuticals, whereas American employees focused more on the government's regulatory influence.

A Canadian perspective:

The governments are also in an economic sort of squeeze, I guess; so, we are constantly challenged from a cost perspective. It is very difficult to be in a world where you are seen as a cost and not necessarily as a solution. (Respondent 14)

An American perspective:

Europe is another critical example where they're not shareholders but we need to work closely with them. Not only do they approve products but increasingly they determine how much we are going to be reimbursed for our products, and the same with Canada, obviously. In the US, we haven't done as much with the government specifically on CR, but I think it's because the US is a little bit behind in CR. (Respondent 17)

It is interesting that Respondent 17 perceives her country as lagging in CR. Her history in the area of CSR and her interaction with other CSR representatives from different pharmaceutical companies and industries—both of which she implied had shaped her perspective of CSR—could have heightened her awareness regarding regional CSR differences and how her country of origin and operation lags behind. It is an awareness that could add a political element to CSR: where her and the company she works for try to shape the public and private discourse of CSR in light of areas for improvement.



The experiences of different nations or regions also appear to affect their view of pharmaceutical companies, including their products and services. This in turn will shape how and why companies apply pressure on governments to address certain concerns and expectations.

Given the industry's complex and influential relationship with governments, respondents suggest that it is important to strengthen ties through partnerships and collaborations. Such a strategy is intended not only to ensure a positive reputation with governments by working together to close some of the drug access gaps, but to enhance the expertise and capabilities of both. For example, each company has programs in place in Canada and the US to help enhance drug access to those lacking adequate coverage for the costs for pharmaceuticals. However, respondents stated that they would prefer to collaborate with governments to find a more suitable and equitable solution. I think these 'solutions' to mutually expressed issues are also methods for pharmaceutical companies not only to strengthen relationships with governments, but to leverage partnerships so they can engage in such programs on a less philanthropic basis. They desire to create multiple wins for the companies, which also provide themselves and governments with gain public recognition for the services provided.

Respondents also indicated that relationships with governments in emerging markets are increasingly important. These regions are perceived by respondents as the main markets of future growth; featuring governments that are quite interested in what companies can offer in addition to their pharmaceutical products. Specifically, emerging market governments are concerned about how companies can provide social, medical, and economic benefits to the health of their citizens. This level of concern has translated into a willingness to place barriers—suggested by Respondent 17 in the quote below as including patent and payment issues—in the way of companies that do not use business strategies to address them. As a result, it appears that the potential market growth is in part motivating companies to respond to the forces placed on them by the governments of emerging markets. For example, Respondent 17 discusses the requirement for partnerships with India's (classified as an emerging market by the respondent) government:

They (India's Government) are interested in how are you contributing to India's economic development. There it was more about the taxes we pay, the amount of people we employ in India, the clinical trials we are conducting in India which are giving Indian doctors experience, and that's going to help us. I mean, we want to be a partner with the government of India not only because India is a purchaser of our products for their people but because we need to have a good relationship. They're the ones who grant patents for our products. They approve our products obviously to even sell them in their country. (Respondent 17)

Reputation is also becoming increasingly important in managing the company/industry/government relationship:

We are an industry that in the past sometimes government relations has meant yelling at government, and I think we are probably ahead of the curve when it comes to actually identifying the importance of creating solutions to share problems together. (Respondent 14)

One of the things that CSR is integral to is reputation, and in the world in which we operate, government plays an increasingly important role. As you know from the way a drug is brought to market, there are numerous stages in different companies. Countries are different, but the role of regulatory agencies, the role of health agencies, the role of public payers, the role of regulators, and all those sorts of things, play a significant role in kind of determining are you getting the product approved. Are you going to get a product listed? Are you going to get a product reimbursed? All these kinds of fundamental questions. (Respondent 4)

Concerns over how they are perceived by governments (i.e. their reputation) in combination with government's ability to turn their own and other stakeholder concerns into regulations suggests a need for companies to make their case to governments that they are an important and necessary part to the healthcare system:

I think that this is also our corporate responsibility: to sit and to convince government that we are not a cost; we are a partner. We are as important in the healthcare system as the doctors, the pharmacists, and the nurses. You take one of us out of the equation and we are in trouble. (Respondent 15)

Based on respondent comments, the industry appears to have made the connection that an effective use CSR as a response to constraining and enabling forces of stakeholders improves their relationship with government. CSR targeted at improving patient or public health can create 'talking points' with governments, and it can serve as a common goal that will strengthen partnerships with governments, and help build trust and reliance by way of an enhanced reputation.

Government appears to be the hub for the reputation of the pharmaceutical industry, with many of the concerns and expectations of stakeholders coming together to be processed. If governments are concerned with the economic, social and medical health of their citizens and have the ability to regulate the actions of companies that may be adversely affecting them, then, according to the connections implied by respondents, they will likely attempt to include and understand, or process, the concerns and expectations of their citizens prior to making a decision to act or not (e.g. whether or not to further regulate the industry). Additionally, during the decision-making process, governments respond to a variety of their own constraining forces (e.g. the sustainability of healthcare costs). As a result, respondents, regardless of their country of employment, appeared interested in developing collaborative partnerships with government as a way, from my interpretation, to bolster reputation, reduce costs, and to gain or strengthen access to markets.

#### *4.2.3.3 Employees*

“Employees are critical stakeholders” (Respondent 5) because they have the closest proximity to the company and they make up the body of the company to form its culture and talent base. Respondents all discussed the important role that employees have on the overall direction and focus of the company. Focusing on the respondents’ comments about employee importance, it appears the companies must be conscious of the concerns and expectations of employees as they, much like external stakeholders, can influence the company's decision-making processes. Companies often use value alignment for its predictive qualities as a way to hold off or control such forces, but they also may be used to re-align predictive behaviours after a shift in the strategic direction of the company (Section 4.4.3, p. 216).

These same forces, however, could also push company leadership to re-articulate values. For example, each company has strategies for recruiting employees with values that align with those expressed by the company and policies designed to reinforce the same values among the current workforce.

In reference to current and potential employees, respondents commented on a “new” or “younger generation” of employees entering the workforce, who expect or even

demand more of a CSR-oriented perspective by their prospective employers:

I think the management team, to some extent, deserves some of the credit, but I think the employees that we hire now—the 20 somethings, the 30 somethings—I think they come in with a much broader view of their role in society and I think that's healthy. I think people that say, "we've got to be more than just a job in our, in our life and I want to be more than my title", and I think that's a good thing. (Respondent 6)

I think younger employees are looking at a number of things in companies before they make a decision to join. Corporate responsibility efforts are clearly one, and why is that? I am not an expert, certainly, but I think younger individuals have a stronger understanding and appreciation of environmental issues. I think they have an appreciation of value that goes beyond a pay cheque, and that's important. (Respondent 20)

I believe these two quotes are reflective of some of the major changes in the social context of the companies, in that they have decided to pursue potential employees and to align existing employees in accordance with emerging internal and external concerns and expectations. Such forces within their social context are thus pushing companies to increasingly prioritize enhanced responsibilities in more and more areas of their business strategies.

The acknowledgment by respondents of an employee role in the way that a company constructs and implements CSR strategies demonstrates what I interpret as an employee-centric design. Using a combination of employee empowerment and participation, companies increasingly engage in CSR activities that not only address the external expectations of enhanced responsibility, but also boost morale and align employee values. Growing empowerment provides employees with a vehicle not only to express their concerns and expectations, giving them a stronger voice, but also to address those concerns as well:

You are also going to get some of the message coming this way (points up) because if employees are coming up with practices, those practices are going drive upwards. Then you've got the CEO coming back down and saying, "we have a corporate social responsibility policy"; the messages meet in the middle. (Respondent 16)

Overall, employees play a key role in the forces pushing for CSR, including its design and implementation. In fact, I believe employees have the most dynamic role of all the stakeholders because they can act as a bridge between the company and the

expectations and concerns of society.

#### *4.2.3.4 Non-Governmental Organizations (NGO)*

The non-governmental organizations (NGO) described by respondents are a mix of not-for-profit groups with an expressed stake in the operations of pharmaceutical companies. NGOs range from groups with a direct stake (e.g. patient groups) to the more indirect (e.g. advocacy and/or multipurpose groups). According to the respondents, most of the influence comes from NGOs with a direct stake. Patient groups, for example, target companies that produce the medicines that address the health needs of their constituency. A cancer-based patient group would advocate for assistance from companies that have a larger presence in the development and commercialization of cancer-related medicines. Similar to governments, the patient groups focus the concerns and expectations of patients to form a larger advocacy argument that pressures company strategies.

Other NGO groups also advocate or exert pressure on the pharmaceutical companies but have a broader focus. Although not generally concerned with pharmaceutical company operations, their size and scope of influence can be formidable. For example, the Gates Foundation was routinely brought up by respondents as a model and advocate for successful public health intervention, and is one example of the “sophisticated entities that want us to take this kind of approach (Shared-value Approach, Section 4.3.4.1, p. 194)(Respondent 20).

I am very impressed by the Gates Initiative, many aspects of it, obviously, but one, if I understand it right, is that he (Bill Gates) wants to eradicate polio off the earth. That’s cool. That’s an aggressive goal, but it’s clear: let’s get rid of polio. We can do it. We have the capabilities. Let’s go do it. (Respondent 21)

By advocating for pharmaceutical companies to adopt sustainable CSR strategies as a way to maximize benefits for themselves and stakeholders, the foundation seeks to create mutual and sustainable benefits.

The validation and promotion of such strategies by the Gates Foundation, the globally- based NGO with the highest level of funding, provides both pressure and justification for shifting to a stakeholder approach that emphasizes CSR as a method to increase multidirectional sustainability.

Another example of a global, advocate NGO is the Access to Medicines Index (ATMI), “which is a ranking of pharmaceutical companies’ commitment to improving access to medicines in the developing world” (Respondent 18). ATMI uses benchmarking to rank pharmaceutical companies according to standardized criteria for access to medicines – a substantial CSR-related activity that many stakeholders believe company resources should support. Although some respondents did express difficulties with conforming to an external set of criteria (including one respondent from a company that ranked quite high), every company but one provided all the information requested by ATMI. I believe some respondents may not have wanted to participate for various reasons (e.g. being judged on a sensitive matter by an NGO) but understood that it was necessary to avoid the possible damage to their reputation of being labelled non-participants.

Although some respondents thought that there were limitations in the ATMI feedback, the rankings were perceived as promoting better performance in this particular area:

But what we do is we use a lot of this as benchmarking because you can see where you stand. You take a look at the questionnaire from last year to this year or over several years. You cannot see what other companies have done, of course, because that’s confidential, but at least they give you an idea of where you stand in the rankings and then you can say, “well we need to look at this particular aspect and really become better in that particular aspect.” (Respondent 16)

It appears that external benchmarking organizations, such as ATMI, play a role in providing information to companies about how they sit in comparison to others, where and how they can improve (based on the assessment criteria), and identify a range of current societal concerns and expectations. According to the respondent, however, each area of information and the entire process is not without its limitations. Overall, I believe ATMI provides companies with an opportunity to compare their CSR-related strategies with other pharmaceutical companies even if it is only superficial, and then companies can use this information to act and reflect upon. As well, the information may provide some level of normative recognition for companies with regard to their stakeholders.

In addition to efforts to increase CSR activities, NGOs are attempting to create

partnerships with companies that are designed to target various 'social needs' associated with patients and public health. I contend that some NGOs do not want to be limited to the role of advocate. They also seek a collaborative role in the delivery of CSR programs. Some companies have recognized this desire and have responded with efforts to engage in such partnerships. For example, to best address a mutually perceived 'social need', some respondents described how complementary partnerships are designed to use companies to cover the gaps in an NGO's expertise and capabilities. These companies appear to be comfortable entering into collaborative partnerships with NGOs:

There are some charities or organizations that are really driving the whole cause and they come to us for a certain aspect where they need help, and that's fine too. (Respondent 21)

As well, the companies also appear to understand that to be successful in some CSR ventures they need to find external expertise to fill their own knowledge gaps. The United Way and the Red Cross were two common examples of NGO partners because of their networking capabilities to direct donated funds or medicines to intended targets. Additionally, when entering new markets, companies often develop local partnerships to become more knowledgeable about the area, its expectations, opportunities, etc. This strategy suggests that they are becoming aware, comfortable, and experienced with both entering into collaborative partnerships and using them to create multidirectional benefits.

#### *4.2.3.5 Local Communities*

All of the respondent companies have global CSR initiatives; however, they also indicated the importance of CSR programs for the communities within which their facilities were situated. Respondents described a tradition of interest in their local communities. As the place where the company operates, their employees, and their families live, it appears to be important to companies that they are perceived as active members of those communities. Although it may be interpreted as a strategy to minimize any potential risk(s) or barriers, I got the impression from respondents that companies think that caring for employees should include being a positive force in the

community. Although respondents did not overtly state that there are pressures to conform to local norms, I believe that the established tradition of local, employee-centric CSR suggests that they not only want to relate to local norms but they also want to enhance their operational locales. By having a healthy and vibrant community in which to operate, companies benefit through happier and more motivated employees, stronger infrastructure, and greater ability to recruit talent.

It can also be interpreted that companies engage in substantial local CSR due to significant constraining and enabling forces placed on them by both their local communities and their employees living in these communities. The result is CSR approaches that attempt to bolster the overall health of the community (economic, social and medical). Strategies can include partnerships, volunteering, and charitable donations based on therapeutic and employee expertise, either alone or in combination, to address the social needs of the community.

#### *4.2.3.6 Media*

Respondents suggested the media as a stakeholder has an indirect influence on the pharmaceutical industry because of their ability to shape perceptions of the industry:

Media is very important, so whether we like it or not, they tend to be the objective conscience of society and...health care reporters at the major papers and in TV are very quick to find a story and how they position that story is very important. Again, if we get contacted for interviews we'd like to have our side of the story heard. (Respondent 6)

I interpreted the industry/media relationship as different from that of other stakeholders because the media does not have the typical 'stake' in the operations of a business. Rather, they have a stake in reporting the actions of companies to society, and therefore influence other stakeholders' perceptions of pharmaceutical companies. Respondents generally saw the function of the media as necessary, but that they would like more input into the content that is communicated about them. Based on this, I perceive that some respondents have an issue with the lack of control they have over the media's communications; in particular because of its substantial influence on societal perceptions.

While respondents understood the media have an important role to play in the



communication of their actions to society, some respondents thought that the media often portrayed them unfairly, and this has contributed to their decline in reputation:

The media is very quick to portray the pharmaceutical industry in a negative light, and so I think there is societal pressure because the pharmaceutical industry is still viewed, now I can't speak for all of society and I think it varies region to region, the pharmaceutical industry is viewed very poorly. I think it is media driven largely. (Interviewee 8)

In this respondent's portrayal of their 'unfair' treatment, it is suggested the media is not being objective. I believe this opinion demonstrates a desire by some within the industry to lay partial blame for their poor reputation on those external to the company.

Further highlighting this struggle for control of the media's message, respondents explained that there is difficulty in trying to get their perspective across in the media, and that the acknowledgment(s) they should receive from their positive actions like CSR programs are adversely affected by media scepticism. Some respondents even went so far as to suggest that the perception of the industry is mostly positive among those in general society, and that any negative perceptions are mostly due to their portrayal by the media.

According to respondents, the industry's CSR is focused on patient and public health, and is not intended to be directed towards the media. However, I observed some respondents perceived CSR as a way to overcome the negative image portrayed in the media; possibly as a way to pull some of the control of content to their side by winning over sceptics (Respondent 22). Therefore, even though it was not the stated main purpose of CSR, if successful, companies might anticipate their CSR engagements resulting in positive media coverage and improved reputation.

#### 4.2.4 Shareholders

The company's shareholders are its owners, and their interests represent the traditional priority of executives, to make as much profit as possible for shareholders (Friedman, 1962). Therefore, issues might arise if company leaders chose to respond to the concerns and expectations of other stakeholders in ways that could result in losses or less profits for their company's owners. Not surprisingly, it was important to respondents that CSR-related responses to stakeholders be justified by way of

shareholder approval.

As stated previously (Section 2.3.3, p. 86), controversies have emerged about the actions of pharmaceutical companies when the dual role of the company is perceived as shifting too much toward profits, a traditionally shareholder-based priority, and away from their expected duties as a healthcare producer and provider, an increasingly influential stakeholder priority. The majority of respondents described their values as based on the concept of patients before profits, with profits that will naturally follow if the patient is prioritized. For some respondents, the contradiction among stated values and some of the industry's actions considered controversial by stakeholders was often demoralizing for employees, and that the perspectives that may have normalized such actions are no longer credible: "I think in this day and age you can no longer just get by on just sort of shareholder value alone" (Respondent 4). This quote is particularly helpful in illustrating how the previously held shareholder perspective was accepted as 'normal', but changed over time in response to transforming norms to include a wider set of stakeholders.

As employees of companies have changed their perspective of the shareholder/stakeholder dynamic, respondents perceive shareholders as acting somewhat similarly. The traditional perspective of making investments in companies with the intention of receiving a financial return is being transformed. Respondents observed shareholder expectations of both profits and CSR from the companies in which they invest: "Our shareholders demand it (CSR); globally shareholders are much more educated these days" (Respondent 13). It is interesting that this respondent would use the term 'educated' to describe current shareholders as it could be interpreted to mean that past shareholders did not understand or have the knowledge to identify the possible benefits of engaging in CSR, or how to actually 'put patients before profits'.

Respondents described the influence of progressive shareholder expectations in the competition that exists among companies listed on the Dow Jones Sustainability Index (DJSI). "Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide" (DJSI, 2010). The sustainability aspect is assessed using a

questionnaire filled out by a company and information that relates to the same company from the media and stakeholders, both of which are continuously monitored. The stated purpose of DJSI and similar indexes provide a framework by which current and potential shareholders can judge companies while also providing public acknowledgment for the desire to invest in socially and environmentally responsible (CSR) companies.

Obviously, not all shareholders are overly concerned with CSR. Based on respondents' comments, however, even those shareholders who may be dissatisfied with pharmaceutical companies engaging in greater CSR will come to accept its use if it can be justified by the benefits (revenues) outweighing its costs.

#### 4.2.5 License to Operate (LTO)

The foundation of the stakeholders' influence is a web of concerns and expectations with regard to various actions and behaviours of pharmaceutical companies. Attached to these forces is the widely held perception that negative repercussions can result for companies if they are not addressed adequately; termed by some respondents as a license to operate (LTO). Based on the comments of respondents, I interpreted LTO as a series of subjective thresholds of expected responsibility. The thresholds that make up the boundaries of the LTO are created by stakeholders based on their unique concerns and expectations formed from their various experiences and interactions within their own social context. Companies secure a LTO (ability to conduct business unhindered) through tacit approval from various stakeholders. At the same time, however, it is also understood that a company would not automatically lose its ability to operate simply because it violated superficial levels of the conditions set by its stakeholders to secure a LTO.

Identifying the threshold where tacit approval is revoked and actions (hard or soft) by stakeholders may be taken against the industry appears impossible to pinpoint. The complex web of varying forces expressed by the mix of stakeholders that comprises the LTO shifts and changes with an evolving social context. Trying to identify the possible effects would be like standing on a beach and trying to predict the pattern and force of waves crashing onto it. Companies can only prepare for what they perceive may be coming or react to what has already happened. Based on respondent

discussions about stakeholders and LTO, I believe that they have perceived—albeit in varying degrees—a series of ‘waves’ that are pushing them to integrate more responsibilities in their overall actions and behaviours. Companies appear to address the LTO issue by engaging in greater levels of what they define as CSR. What they are now reacting to is a very large wave that, if they do not address, will have substantial repercussions for the industry. As one respondent explained, “if we are irresponsible in the way we run our business we will just increase the legislation and control around our business” (Respondent 19). As a result, stakeholder influence is being increasingly acknowledged as important, and companies are taking action to address it. Even though “they’re not a shareholder, we increasingly see the relevance of developing and working and engaging with stakeholders” (Respondent 17). By working with stakeholders, companies are able to better understand what the concerns and expectations are and why they are important to stakeholders.

In part, I believe the lever of action to address, and even use, the constraining and enabling forces is the re-articulation of values and the subsequent CSR programs and policies. Combined with a focus on enhanced ethics, the articulated values and CSR programs and policies are used to address stakeholder concerns and expectations that make up the current LTO:

I think that we all realize collectively that in order to operate in a community, a country, *et cetera*, you need to obey certain rules and you need to give back. That principle I think is what drives it (CSR). (Respondent 11)

The resulting drive to engage in CSR is constructed, transmitted, and reinforced through the use of value articulation within companies.

Although companies must obey existing laws and regulations, they are increasingly conscious of potential risks of further regulation—a situation perceived as placing unnecessary costs on the industry:

Now, company behaviours are always going to be aligned with legal requirements. We go absolutely out of our way to make sure that we don’t deviate outside regulations and legal requirements. But there’s an element of responsibility that takes us beyond just complying with the law and there are some areas where we’ve had to pay more attention to what the external expectations are, the way those expectations are developing, and making sure that as a company we understand that and integrate those expectations into the way we run our business. (Respondent 19)

(Company D) is not going to survive as a company, or any company wouldn't, if they don't pay attention to this; they will lose their license to operate. Consumers, to the extent that they can in our industry, will not want to take our products; if a doctor has a choice, they will consider prescribing another product if they feel better about that company. If we don't pay attention to these things the risks will increase and those risks will eventually have a bottom line impact. On the flip side, there are opportunities in terms of selling more products. The other thing that I think the pharma industry needs to do a better job on the opportunity side is: how do you create products that speak to social needs? (Respondent 17)

I interpret from the above quotes that respondents are trying to understand the changing expectations pressuring the industry to act in certain ways (e.g. enhancement of responsibilities). CSR appears to be the main method of reaction to the forces comprising the current LTO. As a result, CSR is becoming more pronounced as respondents and their companies increasingly perceive it as the best approach by which they can align aspects of their business with identified social needs, and thereby, strengthen the company. It is a strategy further justified by both internal and external perceptions that mutual growth and sustainability for companies and stakeholders can be achieved by using elevated levels of CSR to integrate greater responsibility into their business practices.

The second quote also includes examples of softer actions by stakeholders and others in society if the LTO is violated: doctors may prescribe rival drugs and people will not want to take their products. Going beyond the soft actions are hard actions, which are the introduction of new laws and regulations to control certain actions and behaviours of pharmaceutical companies.

#### 4.2.6 Regulation

A country's legislative bodies create regulations designed to govern the practices of business and punish when standards are violated (Dukes, 2006). Across business sectors there are national laws that are universal and designed to govern basic aspects of business, but there are also industry specific rules or regulations that are created to curb or control actions that are perceived by governments, who enacted the legislation, and society, who often advocate for it, as harmful to others.

There are specific regulations to ensure safety and efficacy of the products that companies are producing in the pharmaceutical industry. A partial result of the controversies that have developed from a perceived unbalance in its dual role and the industry's healthcare orientation is that it has become one of the most heavily regulated industries in the world:

Because within this industry various types of activities interact, intersect, and need to be taken into account, differing interests need to be weighed against one another and some novel ethical problems and conflicts of interest can arise. (Dukes, 2006, p. 8).

Interestingly, other than attributing it to higher costs of doing business, which is significant, respondents did not state anything else that was overtly negative about the high level of the regulation. However, I interpreted that they did perceive regulations as a motivator to curb certain practices, resulting in the companies promoting those that at a minimum would ensure compliance with these regulations:

We make that very clear and we give a lot of training to our employees to ensure that they are familiar with and that they understand, first of all, how important it is to act ethically and, second, that they understand the parameters of the different legislations that govern what it is that they do. (Respondent 10)

The respondents appeared to understand that they are at a point where it is better to embrace the regulations rather than fight against them; that to do the latter could result in prosecution, fines, and the introduction of more regulations.

Unlike the subjectivity associated with a LTO, regulations have explicit expectations and rules that are expected to be enforced if they are violated. Respondents were better able to identify or pinpoint the thresholds of regulations where violation and subsequent enforcement could happen, and has resulted in company-wide strategies to reinforce employee understanding of the 'parameters of the different legislations'. However, with regard to recent controversies, it can be assumed that while companies may be able to pinpoint the threshold for enforcement, some have at times overstepped this threshold.

Referring to the previous quote, Respondent 10 continued this discussion to include integration of ethics into the workplace: "It's part of the social fabric of the company; we talk about it often. We talk about ethics, we talk about compliance, and

we are the most heavily regulated industry in Canada.” Weaving ethics into the social fabric of the company as a method to ensure compliance with regulations was commonplace among the respondents and their respective companies. The phrase “above-the-board” was commonly used to describe the dedication to ethics that is promoted among employees. As a result, ethics, and variations on that word (e.g. ethical behaviour or decisions), was associated with the company processes designed to ensure compliance at a minimum with regard to regulations.

None of the respondents suggested CSR was intended to reduce or mitigate current regulations; rather, they perceived that it would help prevent the addition of future regulations.

If we are irresponsible in the way we run our business, we will just increase the legislation and control around our business. Now, the pharmaceutical sector is highly regulated. We have regulations coming out of our ears; every step we take is regulated. It’s in our interest to work in a way that keeps the regulation where it is and we don’t have significant regulation around even more factors because we have behaved well. Because increased regulation just increases the cost of business, it is much better for us to do it in a voluntary way and behave responsibly, and have all the other advantages of that. (Respondent 19)

It appears that the underlying motivation for operating in accordance with regulations and LTO was to avoid further regulations; perceived as adding costs and unnecessarily constraining to the actions of companies. Respondents stated they would rather voluntarily address LTO themselves to avoid further regulation.

Overall, a common theme emerges. The constraining forces are pushing companies to act and behave more responsibility through fear of soft (e.g. product boycotts) and hard (e.g. regulations) repercussions that result from not securing a LTO. The enabling forces provide them with opportunities to create benefits for the company through compliance that is beyond expectations. Using the enabling forces illustrates company attempts to voluntarily address the concerns and expectations of stakeholders to avoid further regulation.

CSR is, then, a method to enhance the level of responsibility in the actions and behaviours of companies. However, what also emerges as an important factor is the image, or reputation, of the industry, according to stakeholders. The connections respondents made about the use of soft possibly leading to hard regulations implied that

a poor reputation with some stakeholders could be used as justification for others to also introduce repercussions. Consequently, CSR is motivated by a perceived potential to build a more positive image of the company to stakeholders and society in general.

#### 4.2.7 Reputation

The use of CSR to address risks associated with LTO violation appears to be in part driven by a desire to improve company and industry reputations. In theory, by creating a better reputation with stakeholders, a company demonstrates that it has taken actions to address some aspects of its stakeholder concerns and expectations; thereby, eliminating or drastically lowering the repercussions associated with LTO violations. Since LTO has no observable framework for evaluation, the perception of a company's reputation becomes a powerful force to sway stakeholder opinions.

Respondents differed in their opinions as to whether or not the pharmaceutical industry has a poor reputation. Perceptions varied from the admission that ethical violations or controversies have contributed to a poor reputation to outright denial of anything but a positive reputation. The respondents that perceived an entirely positive reputation focused their arguments on basic contributions to health care that is created by their streams of innovation, while the others acknowledged the complexities of both the workplace and social environment and that conflicts of interest do arise and have contributed to declining reputation. A battle of perceptions is occurring not only between companies and their stakeholders but within companies as well.

Some people (employees) are still criticizing that we did that (product recall), but we certainly are a company that can demonstrate that we make decisions based on what's best for patients even though it might have a bad impact on our bottom line. But we are very serious about doing the right thing. (Respondent 10)

Regardless of their perceptions about the reputation of the industry, however, respondents all described internal and external forces that constrain and enable their actions as to encourage, sometimes demand, engagement in CSR.

Contradictions also emerged over the course of the interviews. At the beginning, some respondents stated that there are no reputational benefits from engaging in CSR, but over the course of the interview all conceded or alluded to reputational benefits. Some attempted to clarify their position by specifying that reputation is not the primary



motivation or driver but may be a major catalyst for the current period of CSR evolution:

Yeah, I mean we've been compared to tobacco companies and we've been accused of a lot of different things. I think it's created a lot of soul searching in the company as to how did this happen and what can we do to change it.  
(Respondent 6)

Some respondents, however, did overtly state throughout the interview that there are reputational benefits. Nevertheless, most perceive it as a flawed and inauthentic strategy to engage in CSR for purely reputational reasons, with the hope that it will deflect from their negative actions:

I have mixed feelings that it (CSR) has become an instrument to try to deal with some of our public image issues. I want to do it because it's the right thing to do. That's probably naive and a bit idealistic, but I really think everybody does it towards that end because it's just the right thing to do. And the fact that we are now spinning it to show that we are socially responsible against some of the actions that, frankly, we have to be accountable for...we've not always behaved in other ways socially responsible. (Respondent 22)

The two preceding quotes suggest a process of recognizing the constraining and enabling forces that have been constructed by stakeholders. The 'soul searching' that followed is the social disturbance of and reaction to these forces. In part, this has likely contributed to engagement in CSR and promotion of greater levels of ethical behaviour to employees by companies to both avoid further controversies and to rebuild or maintain morale. However, as this process occurs, some employees have become troubled by a possible connection between CSR use and its reputational benefits. As concerned as these employees may be about a CSR/reputation link, CSR does appear to be a response to pressures from stakeholders and their abilities to impose soft and hard controls on companies.

Overall, the majority of respondents were comfortable with reputational benefits as an indirect benefit as long as CSR focused primarily on the patient and their health.

Yes, you can develop a reputation, an image, using traditional tools such as advertising and promotion; I guess we'll call it that. But the truth of the matter is that in this day and age what you really want to do is build relationships, and building relationships you do that through CSR activities really well. We partner a lot with all kinds of stakeholder groups. They benefit from the relationship and we benefit from the relationship as well because we share common objectives of ensuring that patients have access to medicines. (Respondent 10)

#### 4.2.8 Summary – Social Context

The pharmaceutical industry, like every other industry, operates within its own unique social context. For-profit entities that are also providers of necessary healthcare products, the industry has faced continually shifting expectations and concerns from a wide array of stakeholders. Having a 'stake', either directly and/or indirectly, these groups use their influence to evoke a response from companies. The continuum of concerns and expectations forms a subjective and intangible license to operate (LTO). As such, LTO is a nebulous set of thresholds that can be used to judge the actions and behaviours of companies. If stakeholders perceive a threshold is violated, it can potentially result in the introduction or increase of various soft (e.g. consumer boycotts) and/or hard (e.g. regulations) forms of repercussions for companies. While each stakeholder group is capable of its own form of soft repercussions, only government is capable of instituting hard repercussions. The result of this dynamic situation is government acting as the hub for other stakeholders to voice their concerns. As a result, the desire by companies to avoid the risks associated with LTO violations appears to result in responses to some of the stakeholders' constraining and enabling forces. As such, the risk avoidance mentality provides weight to the stakeholders' ability to influence.

According to respondents, stakeholders are continually pressing for the adoption of more responsibilities, a substantial part of which is using their capabilities to help alleviate various social/health needs. Companies appear to be responding through the expansion of a practices and policies called CSR. The enabling forces have also presented opportunities for companies to further their own sustainability using CSR as a response to stakeholder expectations and concerns:

I think in this day and age you can no longer just get by on just sort of shareholder value alone. It's just sort of the Friedman theory versus the stakeholder theory. There are too many influences that act on companies to feel that the only duty of managers is to prioritize quarterly earnings at the expense of everything else. It's [CSR-Stakeholder perspective] an integrated approach to running an operating company. It's a sustainable approach to running a company because at the end of the day every industry and every company has sort of a social life to operate, and government reinforces and establishes that through regulations and policies. And so ensuring that you're around as a company – not just in four quarters but in four years or forty years – is about

actually thinking about that long-term perspective. You can't do that in an accurate and comprehensive way unless you're looking at the broader world in which you operate. (Respondent 4)

An important variable in this process is the shareholder, the owners of the companies, and how they perceive CSR as a response to stakeholder forces. Respondents appear to be under the impression that the majority of shareholders agree with their CSR strategies, resulting in the justification for CSR engagement. Additionally, if CSR actually has the potential to assist companies in realizing how to more effectively put patients before profits in a manner that will actually benefit them and their stakeholders, then shareholders that only prioritize profits should be satisfied as well.

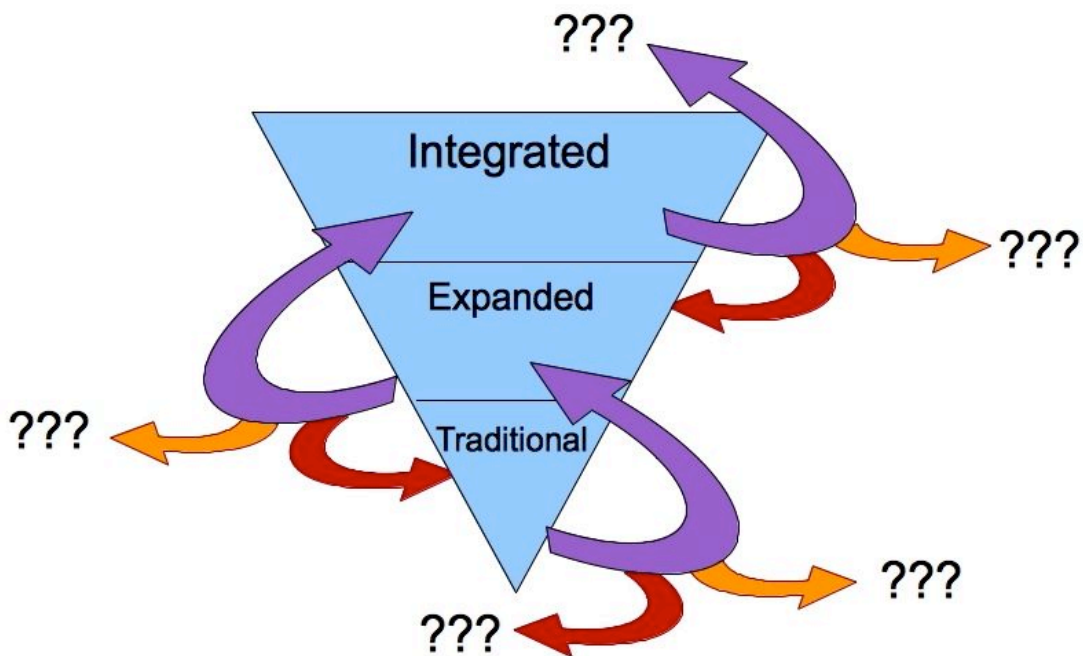
Overall, the current social context provides the insight into the operational environment of the industry, one where companies are under increasing pressure to respond to stakeholders' concerns and expectations regarding the adequacy of their support for perceived responsibilities, and this has resulted in the expansion of CSR. Although the reasoning for why contextual actors are influencing CSR is evolution is presented as rather clear (e.g. greater health, social and economic outcomes for themselves or the group they represent), companies and their respective employees process the meaning of these forces and the response to them from perspectives based on the organizational context within their company and their own personal experiences, making the resulting possibilities more complex and pluralistic.

### **4.3 CSR Perspectives**

My analysis of respondent interviews and company websites is mapped out as a structured series of interpretations to explain the various forces within the social context that companies are responding to by engaging in CSR. The result of the various responses was the development and evolution of three interconnected perspectives on CSR: 1) Traditional; 2) Expanded; and 3) Integrated.

Figure 4.5 illustrates the relationship among the three CSR perspectives as an upside down pyramid; where the traditional perspective serves as the bottom, or basis, expanded as the middle, and integrated as the top. The programs and policies

associated with the traditional perspective of CSR at the bottom stage serve as the foundation to guide and build upon as perspectives evolve. The large purple arrows symbolize the incremental, but not deterministic process of perspective evolution from the traditional to the integrated. The smaller red and orange arrows represent the possibility of changes in the social context (e.g. the constraining and enabling forces direction and strength) that may influence the perspectives of employees and companies to regress or even digress into a new direction. Finally, the arrows to the unknown (illustrated by question marks) that are above the integrated and below the traditional perspectives represent the uncertainty about perspectives that might evolve in the future, or existed in the past, but could not be identified based on the information provided by respondents and their company websites. Overall, the purpose of the figure is to illustrate how these three perspectives, which will be discussed in this section, influence and relate to each other and the potential for change and divergence from the current trend of perspective evolution.



**Figure 4.5 - Evolution of CSR Perspectives**

Based on information collected, there appears to be a process of evolution from the traditional to the integrated perspective. However, specific companies do not perfectly align with any one perspective per se; rather, they display features of multiple perspectives such as a blend of CSR programs and policies, some with more integrative construction (e.g. reinvestment of profits into health infrastructure) and others that are remnants of more traditional practices (e.g. monetary donations to a social cause). In addition, the movement through the perspectives is not a linear progression that is deterministic; therefore, it is not an automatic and straightforward progression. Transformation can occur in various directions and speeds due to differences in values, history, experiences, etc. that influence the perceptions and choices of companies. Evolution of perspectives towards integrated is not automatic, and can be observed in how the companies represented by the respondents are evolving at different speeds and developing unique characteristics. However, based on respondent comments and company websites, I believe that these three perspectives of CSR best represent the historical influences and goals that are driving this period of CSR evolution in this industry.

The following section will first detail the respondents' ideas about why CSR has recently been evolving and from where it has evolved. Next, the three evolving perspectives are explained to provide insight into how the respondents and companies are in a process of changing conceptions of the CSR role and purpose within and outside their company.

#### 4.3.1 Emergence of CSR

According to respondents, engagement in CSR has had a long existence in the operations of pharmaceutical companies.

It's (CSR) a long tradition. It's been there for a long time and it's an example of how everything we do is dictated by a sense of ethics and responsibility and a focus on helping out patients. (Respondent 10)

I think it's (CSR) in the DNA of who they (employees) are and what they want to be a part of, and so I don't think it's surprising that if you go back over the history of the company that CSR has been there from day one. It may not have been under that title, but it's certainly a part of what the company is about. (Respondent 22)

Although it is believed by respondents that there is a long established history of CSR, the industry appears to be in the middle of a period of rapid CSR evolution. An increase in the development and influence of stakeholder-created forces appears to be a major catalyst for CSR evolution. However, companies are not isolated to their own social context and respondents discussed how controversies from other industries also influence their choice to further engage in CSR:

I began working in sustainability in 2000, and we developed at that time shorter reports. A lot of it started with health, safety, and environment. Requirements were forcing us to report, but then, overtime companies felt that voluntarily we needed to speak to all three performance areas: the economic, social and environmental. You could see how things were happening; environmental disasters like Bhopal and Exxon Valdez, then Enron happened, and the responsibility aspect became an issue. CSR has become very important within a 10-year timeframe; it's being taught in MBA courses. (Respondent 16)

Respondent 16 explains that the rising societal importance of CSR as a response to business-based controversies in different industries highlights issues regarding business responsibilities and how they are interpreted as a warning. What is interesting is how Respondent 16 describes growing CSR engagement as a choice, heading off regulation by responding voluntarily. It is also notable that the respondent did not categorize the pharmaceutical industry as one of the companies involved in responsibility related controversies.

Within the pharmaceutical industry, it appears the companies have chosen to enhance existing aspects of their business perceived as related to CSR.

I think it's probably been a crescendo-effect in the last twenty years. I have been in the business for twenty years, certainly not closely on corporate citizenship (CSR), but I've seen it evolve, like I am sure you have seen it evolve too, in the right direction. (Respondent 11)

Respondent 11, like most of the respondents, identified the evolution of CSR as 'in the right direction,' describing how the use and understanding of CSR is still changing, but in a way that employees perceive that as responsible and justifiable:

Some of our efforts for access to medicine are selling products at not-for-profit pricing that may not be essential for the long-term survival of our business but it's the right thing to do and we have to look at what I can only describe as a contract with society. (Respondent 19)

#### 4.3.2 Traditional Perspective

A traditional perspective of CSR in the pharmaceutical industry was evident to respondents as they reflected on the histories of their companies. They suggest that throughout the history of these companies, their 'natural' role as developers and commercializers of pharmaceuticals and other healthcare products has served various public health needs. In addition to their 'natural' CSR role, respondents argue that the companies were traditionally engaged in a number of internal and external arms-length programs and policies that, upon reflection, can be defined as CSR. As the historically dominant perspective, traditional is an approach to engaging in CSR programs rooted in philanthropy, community support, and employee health and safety (Respondent 16):

Until the past ten or twenty years or so most companies had, or at least large multinational ones like ours, a function known as environmental health and safety. That function was part of the manufacturing operations part of the company and it was focused on things like ensuring a safe working environment in terms of lost time, accident rates, and exposure to potentially hazardous chemicals and things like that. It is sort of a compliance driven type of approach. Often other silos that are sort of separate somewhere else in the company would be a philanthropic organization of some kind, a not-for-profit fund or a grant-making organization or some hybrid that provided support to civic, community, and cultural initiatives that the company felt were important. This idea of being, you know, a good neighbour, a good citizen, a company where if it was viewed as a premiere employer where people would want to work and so forth. (Respondent 18)

I believe that constraining forces resulting in a 'compliance driven approach' drove the traditional approach to CSR. Companies responded to the enabling forces with basic, 'silo' programs that were designed at the local level to boost their reputation to both attract talented employees and gain local approval. It appears the constraining forces were not perceived as placing enough pressure or having enough influence on the company to cause them to innovate how to better use the enabling forces to create a more dynamic approach to engaging in CSR. The companies could not or would not identify alternatives to what they were doing already. Therefore, the traditional perspective of CSR is one where companies find it satisfactory to engage in limited CSR activities as a way to supplement their 'natural' CSR role of healthcare producer and provider. These minimal CSR activities are based on a foundational concept that if communities and employees are happy and the company is an attractive workplace,

then it will retain and recruit a more talented and dedicated workforce:

We really base our CR approach kind of going all the way back to that (beginning of the company) and we'd done, I think, a very traditional corporate responsibility for a long time that was mostly philanthropic...I think in the past it was driven mostly by reputation in some ways, that we wanted to be seen as a good neighbour or a good employer. (Respondent 17)

In those days (Company D) was just making donations, lots of donations, but it was philanthropy, pure philanthropy. We give money and there we go, but millions of dollars, and I thought we were pretty good. (Respondent 9)

Examples of CSR practices related to the traditional perspective include a combination of employee and philanthropic efforts such as matching the donations of employees to registered charities and community volunteering programs. By matching employee donations, the company empowers employees to choose a charity of their choice while also showing support for philanthropic ventures. For example, respondents commented that they have routinely volunteered outside of company hours. However, through company volunteer programs they can combine their volunteer efforts with other employees, and in some cases, be paid to do it during work hours.

Upon reflection by respondents, the process of providing philanthropic donations, grants, etc. was considered a basic transaction: "I think the first is that if you're operating as an ATM, if you're writing cheques to people, but you're not actually sort of putting any meat behind it then it's a transaction, not a relationship" (Respondent 4). It appears that Respondent 4 seems to acknowledge that what was traditionally normalized as a successful method of CSR engagement is now perceived by some to be an insufficient response.

Based on the descriptions of respondents, I interpreted that within the traditional perspective, CSR programs and policies operate on the periphery of the organization where it is more of an add-on strategy, which can be reduced or discontinued during times of budgetary constraint:

The true criticism will be is when times are tough what's the first thing to go? My guess is things like corporate social responsibility; I think the donations would probably decrease in tougher times. (Respondent 12)

The preceding quote also illustrates the fact that some respondents had reservations



about their companies' dedication to CSR and its long-term sustainability. I believe this gives credence to an interpretation that most companies' perspectives on CSR continue to be in transition and that it takes time to create and respond to cultural shifts through strategic realignment (Section 4.4.3, p. 216).

#### 4.3.3 Expanded Perspective

While the traditional perspective on CSR may have the longest history in the pharmaceutical industry, in recent years there appears to have been an evolution of this perspective by some companies in response to the forces attributed to stakeholder concerns and expectations:

Over the last few years, I think a lot of leading companies have started to bring together this thinking that used to be grounded in that EHS function on the one hand and in the philanthropic in the other, and try to bring it together in a much more holistic fashion and also make it much more proactive where we are listening to and engaging with stakeholders and then developing systematic programs and processes to address stakeholder issues and concerns.  
(Respondent 18)

In this example, the company's response was to evolve, from a narrow CSR perspective of CSR placed on the periphery of the company to one that acknowledges more stakeholders through dialogue and a diversification of CSR programs and policies. It appears the companies began to understand that the forces combining in their social context needed to be better acknowledged as credible risks to the companies. As a result, simplistic programs of philanthropy and volunteering were increasingly seen as insufficient as methods of CSR engagement.

I believe that when companies begin to address the rising concerns of their stakeholder-constructed LTO, a response of expanded CSR engagement results in a better understanding of the opportunities that can be constructed. The simplistic philanthropy and volunteer programs are then used as templates to improve upon for future CSR strategies.

I interpreted this process as companies attempting to respond while trying not to re-invent the wheel, but rather to transform their current wheel into one that may be more effective within their current environment. For example, respondents discussed the use of philanthropy in knowledge and technology transfers to developing or

emerging countries. The transfers require a substantial investment of time, money, and expertise to ensure they are functioning properly and the protocols for manufacturing are strictly followed. Additional funding is also provided in combination with manufacturing capabilities so that other countries or groups can purchase or have access to needed medications. As a result, the complexity of programs also increases with the company's expanding perspective and subsequent use of CSR.

In addition to the increasing complexity, respondents suggested that as CSR evolved in their companies it became more oriented towards benefiting the business, creating a business case or win-win strategy for engaging in CSR. The creation of a business case for CSR can be interpreted as part of the evolutionary process not only to address the concerns and expectations, but also to go 'above the board' strategically to create business opportunities.

Let's face it, the environment is changing, it's becoming more difficult, and there are just so many ways that a company can engage with their constituents. The responsibility activities are certainly a very good way and a win-win for everybody involved. (Respondent 10)

We really think that the unique demands that society places on healthcare companies are also opportunities for sustainable growth and development. Not only sustainable business growth for us, but also for sustainable growth for the markets we are in the process of entering, and so we really think there is a great synergy between our citizenship (CSR) strategy and our business goals. One of the things that we have really been emphasizing in recent years is our expansion into so-called emerging markets. (Respondent 18)

Respondent 18 identifies the link between the demands put on them as a healthcare company and how there are opportunities for sustainable growth and development. As companies and their employees start to identify a connection between CSR and company sustainability, it can lead to further justification of its use. This connection also provides incentive to create new opportunities and/or enhance current ones – a dynamic period of transition and choice.

Furthermore, Respondent 18's comments on emerging markets provides a clear example of how companies are using CSR as a toolkit of methods to address the business constraints they attribute to entering markets that are not as wealthy as Western markets. I believe these companies are trying to gain access to markets

where their traditional perspective of business strategy, including CSR, is viewed by the new stakeholders as normatively insufficient, and an evolved perspective is seen as helping to provide a clearer understanding of how to operate in different environments:

You've got these vast populations that don't have access to our products because our products are expensive. Well it is in our interest as a business to improve access and thus improve the volumes we sell, and so it is a win-win. (Respondent 19)

What they found was that in a lot of very impoverished countries, patients they would be willing to buy medicines. They could afford to buy them, but the problem is they had to walk or travel to the pharmacy, which is quite a ways away, and they'd get there and they would be out of stock. So what they did is they developed a program where with a cell phone they could actually program in tell them whether or not there is stock in the pharmacy to actually get their prescription filled. By closing that loop, you are actually helping a patient get well. (Respondent 21)

The expanded perspective appears to be associated with both the acknowledgment that LTO risks are sufficient to warrant a response by companies to use CSR and that there are also opportunities for mutual benefit or win-win scenarios when strategically engaging in CSR. Overall, the majority of respondents were from companies that have CSR and business strategies that would be considered as aligning with an expanded perspective.

In some interviews, respondents discussed the use and function of CSR in ways that may suggest a personal perspective that is evolved beyond the expanded. However, these personal perspectives do not appear to have been widely adopted by their respective companies. Company websites of the same companies reinforce this perception because CSR is being communicated as an important part of the business, but it was still separated from the main business priorities. Additionally, the evolution of CSR perspectives appears to be a slow process where aspects of programs and policies tend to blur in their representation of traditional, expanded, and integrated perspectives.

#### 4.3.4 Integrated Perspective

The integrated perspective results in a business strategy that attempts to better address stakeholder concerns and expectations by using CSR and the principles

perceived to be associated with it as the guiding philosophy for its business. This response to stakeholder forces provides companies with ample incentive to create business-wide opportunities through the innovative use of enabling forces. An attribute of an integrated perspective is the justification for CSR engagement that is more tacitly understood. The result is less hesitation about shaping a company's business strategies with evolving concepts of CSR.

Based on discussions with respondents and the information on company websites, I interpreted two notable features of an integrated perspective: 1) shared-value approach to CSR programs and policies, and 2) developing value-based decision-making. These two features appear to emerge from, and lead to, the merging of CSR strategy with the overall business strategy of the company. To fully explain an integrated perspective of CSR, the following section will first details the two features and then the merging of business and CSR strategies.

#### *4.3.4.1 Shared-value Approach to CSR Programs and Policies*

The term 'shared-value' is used to explain the process of companies innovating business opportunities found in the relationship between constraining and enabling forces, to develop strategies that use their assets and expertise to address the social needs of stakeholders while creating benefits for themselves. According to one respondent, and implied by others, having an integrated perspective of CSR allows the company to identify overlap among business opportunities, assets and expertise, and social needs. That information is then used to create CSR strategies designed to benefit all parties involved:

There is really of things that you can think of as 'three-ringed Venn diagram'. The phrase in academia is shared-value, and shared-value really is that space where you have overlap of social need, business assets and expertise, and business opportunity. When organizations like ours can identify those locations, we really believe that we can have meaningful impact on individuals. We can produce a sustainable corporate responsibility model that could ultimately just blend into being part of the business. In sum, it's a long definition, but it's a definition of evolution, and (Company A) is just now stepping into that shared-value space. (Respondent 20)

Most notably, Respondent 20 also acknowledges that although his company has

identified the benefits of prioritizing CSR engagement in the area of overlap, it is only beginning to take strategic steps toward actually carrying it out.

Entrance into what would constitute a shared-value space would incorporate a stronger focus on business opportunities than the other CSR perspectives, causing discomfort for some respondents.

But what I think that the key things is – this is what I was pointing out yesterday to some of our folks – as we become more comfortable that there may be kind of synergistic areas. I also think that it is very important that we put firewalls around where that is so that where the social responsibility stops and where the business starts we don't get into things where people are saying, "Hey, you're just doing this for the business". I think there are potentially some blurry lines there, so I think companies need to think a little bit about how they do that.  
(Respondent 21)

Although Respondent 21 works for the same company as Respondent 20, there is a divergence in how each perceives CSR, with the former being more idealistic and the latter attempting to merge idealism with business strategy. Both noted the need to engage in CSR as the "right thing to do"; however, Respondent 21 is concerned about the reputational problems of being perceived as engaging in CSR more for business purposes than because it is the "right thing to do". However, at least one company, on websites and CSR reports explains the business case for entering a shared-value space: doing so can be of great benefit to all those involved if it is done responsibly. I interpreted these differences as a reflection of the cultural and value-based struggles of a changing CSR perspective at a company comprised of tens of thousands of employees, with an even wider range of perceptions.

Other respondents indicated that the benefits of the shared-value space far outweigh the possible negative perceptions that could result, and that the general trend is driving companies in this direction. It is an assumption that implies that idealistic concerns can be satisfied by the use of shared-value approach to CSR.

Increasingly we are looking at corporate responsibility not only as an opportunity to do good and to hold that up externally, but as a way to drive revenue. I think in the past we said, "Uh, that doesn't sound right, we shouldn't be doing corporate responsibility to make money". But I think increasingly you are seeing companies like GE, Nike and Nestlé that are saying, "that's exactly what your corporate responsibility is: it's to be responsible to your shareholders and making sure that your company is sustainable in the future". But you should be doing it

in a way that also benefits society, and I think the pharma industry is such an easy way to make that case. You know when we have a product – where medicines are our product – and it's a product that can save lives or help people live longer. We are not a charity, so we are going to make money on it, but we are going to do it in a responsible way. (Respondent 17)

Respondent 17 also touches on an important incentive, or reason, for engaging in shared-value CSR: there are highly regarded and influential not-for profit organizations that are placing pressure or encouraging companies to move toward the shared-value space:

Places like Gates that we have talked about are eager for us to do this (shared value CSR) kind of work. The Access to Medicines Foundation, who produces the Access Medicines Index, is interested and observant of us doing this kind of work. I think the time is right because there are organizations that are eager for us to do this. I feel an increasing feeling of eagerness internally to do this and I am positioning the company to pilot some of these programs over the next year. (Respondent 20)

I interpreted these organizations as being important and influential for the following reasons. First, they hold high status with positive reputations, and second, because they provide insight and guidance as to how companies can successfully engage in shared-value CSR. With CSR reports and the websites of companies, all had sections describing their partnerships and/or collaborations with NGOs that attempt to address specific and more general social needs of groups around the world.

One region where it appears that the shared-value approach provides the best incentive to companies is in emerging markets:

...Improved healthcare means improved economic activity; it all goes around in a virtuous circle. But it is not just about that, it's about coming down and accepting that where the real business in these markets is in the vast middle class population rather than the wealthy upper class, and therefore, we should be pricing to enable sales in this sector of the market, accepting that margins might be lower, but our increased volume of sales will compensate for that. (Respondent 19)

A shared-value approach to CSR becomes a justifiable alternative to traditional business practices in the emerging markets because companies can more readily identify a link between enhanced social/economic responsibilities and a potential increase in sales volumes. Therefore, some respondents perceive a shared-value

approach to CSR as a response reducing barriers and opening up these markets for future growth.

#### *4.3.4.2 Value-based Decision-making*

The specific values communicated by the respondents' companies have remained relatively constant in title; however, whether they have achieved their intended purpose (outlined in their articulation) to guide all the employees' actions and behaviours remains an area of much debate. For example, Respondent 10 stated that a decision to pull a product from market that posed unexpected health risks is still being criticized by some employees within the company. Criticism that would appear to run counter to the patient oriented values supported by the company. Furthermore, some of the respondents acknowledged that the industry has a poor reputation and that it is connected to public perceptions that some actions were negligent of expected responsibilities and therefore controversial. I believe the contradiction of values observed around recent controversies, involving not only the pharmaceutical industry but other industries as well, has contributed to the voluntary establishment of stronger codes of conduct within the industry. Additionally, these codes of conduct are routinely revamped and consistently reinforced across the employee hierarchies—Respondent 3 stated that his company's handbook regarding conduct is updated yearly and employees are continually assessed on how they adhere to its policies. In fact, most respondents discussed the rising importance of ethics. However, some respondents perceived limitations to the complex layering of conduct policies that has resulted. For example, codes of conduct and other internal regulating policies may become obstacles to decision-making if there are too many, or if they do not sufficiently cover every possible situation; either there is too much 'red tape' or too little guidance.

Reflecting this view, Respondent 19 explains how her company seeks to move beyond rules or policy-based governance to value-based decision-making that uses the aligned values of the company and its employees to provide tacitly understood criteria for decisions.

Actually, what we want to do is get people to accept that, yes, we do have policies that set out a framework, but actually to move much more towards a values-based organization rather than a rules-based organization. When new

issues come up, we want to ensure that the people we've got in the organization have got the right values such that they make good judgments about what line to take or what approach to take. So they are not constantly having to go back to a rule book and say, "well because there's not a rule in there I can do whatever I want". We don't want that sort of behaviour; you want people to make a judgment that is around our values as an organization. (Respondent 19)

At its core, this is an attempt to hasten decisions and create a business that can swiftly react to a changing social context in ways that will be perceived as socially acceptable. Triangulating her statement, examination of her company's website and CSR report discussed the importance of all employees sharing a more integrated perspective of CSR but also still featured sections of the standards and code of conduct that employees are expected to adhere to—showing that the company is likely in transition like the respondent explained.

If CSR is the response to stakeholder forces in the industry's social context, then it is possible that engagement in CSR programs and policies will reinforce skills and/or values that would be considered socially acceptable:

I think one of the reasons why CSR is so important is because the kind of mindset it imparts and the skills that it emphasizes are those kinds of skills of empathy, of curiosity, of innovation, and of collaboration that are actually going to be the same skills that are going to lead to our success or lack thereof going forward. (Respondent 4)

...we help our employees recognize that the company supports activities that allow them to expand and deepen their thinking, touch the world in ways they might otherwise not, and allow them to find effective ways to improve their expertise. Those things engage and inspire employees. (Respondent 20)

Respondent 4 observed a connection between the skills and values associated with engaging in CSR and the success of the organization in the future, framing constraining forces into enabling ones for company and stakeholder sustainability.

A value-based framework for decision-making and how to really accomplish it remains unclear. Although the respondents commented on it, none of them stated that their companies have implemented it. It remains more of a theoretical strategy hinting toward a future form of CSR in the pharmaceutical industry.



#### *4.3.4.3 Merging Business and CSR Strategies*

In discussions about entering the shared-value space and implementing a value-based decision making process, some respondents described the necessity of merging the business strategy with a company's CSR strategy as a foundation for its sustainability:

CSR is saying the scope of action and the scope of influence is bigger than we have ever thought before, and an intelligent approach to CSR is to say we're going to reframe our [business] strategy to factor in both of those proactive and reactive influences. (Respondent 4)

Respondent 4 frames CSR engagement and its integration into the business strategy as the response to a changing social context that is telling the pharmaceutical industry that their impact on society is much larger than they previously thought. The majority of respondents commented that CSR should be more integrated into the overall business strategy of the organization, and that is where CSR is evolving.

Even though respondents perceive it to be a natural step forward, I interpreted the idea of CSR and business strategy integration more as a desired than a realized goal. One respondent, however, stated that her company has integrated CSR/business strategies, evidence for which was observed on their company website, where the company explicitly discusses and promotes integration as the primary method of business, and in external measures, where they ranked quite high (specific measure and ranking absent to maintain confidentiality):

We don't have a CR strategy, we have a business strategy and we build responsibility into all our activities. So we don't have a separate CR strategy because what that's saying is that CR is a standalone activity and it's not. You can't use animals in research and then have a separate strategy in doing that in a responsible way. If you are generally going to be a responsible business you have to build it into every policy you've got. (Respondent 19)

In support of Respondent 19's comments, her company was highly regarded as the leader in CSR engagement by respondents from other companies. Additionally, her company's website and CSR report explicitly detailed the integration of CSR into the overall business strategy and the benefits that would result. Based on these comments and observations, it seems as if this company was serving as a role model for other companies with regard to CSR since it was noticeably more progressive and vocal

about its strategy.

Although Respondent 19 stated that it is still a future goal of their company to implement a truly value-based decision-making system, they already had a business strategy featuring a high level of CSR integration. The intention is to integrate higher levels of responsibility into every action of the company.

The overall purpose of this strategy is evidently to integrate their response to the influential forces from concerns and expectations into the overall business strategy. In this way, they would be capable of quickly analyzing and taking action when new opportunities are identified. This entire process appears to happen while the company attempts to strengthen its reputation by aiming to exceed stakeholder concerns and expectations. Overall, it appears this strategy is a method to boost company reputations and sustainability by utilizing normative opportunities. It is an attempt to find modern methods to actually put patients first in ways that will make the company more successful.

#### 4.3.5 Summary – CSR Perspectives

The evolution of the CSR perspectives may be depicted as responses to the continually changing forces, both constraining and enabling, within the social context pharmaceutical companies operate. It seems that the perspective shift (traditional-expanded-integrated) is a gradual process; it takes time to normalize the evolving perspective within the companies.

The traditional CSR perspective appears to have been the dominant method of engagement until a combination of industry changes (e.g. attempts to enter emerging markets) and a rise in the influence of stakeholders' drove companies to change their perceptions of, and, therefore, approach to CSR. Based on comments from the respondents, it seems that ethical controversies from within and outside the industry played a substantial role in giving the concerns and expectations more prominence, changing the power dynamics within the social context. As a result, the industry interacts with a variety of stakeholder forces in deciding whether or not to respond, including what a potential response would entail.

Changes in the social context have led to stakeholder forces with enough

influence to garner responses by companies. Such responses appear to be based on insights into possible alternatives to their current, normalized actions and behaviours. For instance, the traditional perspective was thought by respondents to be an effective way to engage in CSR. However, once stakeholder forces had enough influence to pressure for insight into alternatives, the evolution of the CSR perspective started to gain momentum. In responding, companies built upon traditional CSR strategies as a foundation for future engagement.

The evolution and adaptation of CSR perspectives can also be observed in how companies label or name their CSR programs and policies. Interviews and websites suggested that programs expanded from philanthropy to CSR, sustainability, and/or triple-bottom-line, as reflecting a perspective to address and articulate greater responsibilities with regard to social, economic, and environmental issues. Yet, over time some respondents stated that themselves and their company identified limitations associated with these descriptions, which, according to Respondent 16, makes it appear that the company is prioritizing environmental issues over social ones. CSR, by contrast, appears to prioritize social issues instead. What I observed is that as respondent companies expanded their perspectives toward integration, they addressed the perceived limitations of the title of their respective responsibility practices by changing it to corporate responsibility (CR). According to respondents, this title is meant to convey their desire and commitment to enhance levels of responsibility throughout all their corporate actions and behaviours and not only one specific area.

Movement through the three perspectives is not deterministic because companies have choice in how they will respond to forces from their social context, just as they had choice to engage in actions that should be considered unethical. However, most companies appear to be evolving toward a more integrated perspective of CSR. Whether the respondents' companies will change their strategies to reflect the integrated perspective held by some of their employees is unclear. Re-alignment of a company's culture and strategy to reflect a selected alternative to traditional and/or expanded practices and policies appears to be a complicated process. I believe that the stability of the social forces will play a significant role in whether it continues to promote CSR evolution. If the forces lose influence or shift in another direction, it could

result in the CSR perspective regressing or digressing (as shown in Figure 4.5, p. 185)

#### **4.4 Continual Development and Reinforcement Process (CDRP)**

In the previous section, the evolution of the three perspectives of CSR was presented to explain how approaches to and understanding of CSR by pharmaceutical companies are shifting in response to the social forces. The shifting of CSR perspective does not appear to be a simple process. Companies must be active in making decisions to develop and reinforce elements of the company so that it is prepared for the strategic changes and challenges that accompany a shift in their CSR perspective.

The continual development and reinforcement process (CDRP) relies upon four evolving and interdependent elements that are critical for a pharmaceutical company wishing to effectively respond to the forces of its social context. These four elements—creating authenticity and transparency (CAT), measuring outcomes, cultural shift and alignment (CSA), and CSR programming—are in dynamic relationship that may reinforce progress or delay or even prevent progress.

The conceptualization of the four elements of the CDRP is based on my interpretation of the perceptions of respondents as to how and why CSR engagement has evolved at their respective companies, including how it functions both internally and externally. I analyzed the commonalities and differences among the respondents and identified the four elements of the business that appear to function as both the engine that causes CSR to evolve and constructs how it is perceived. The following section is structured around these four CDRP elements.

##### 4.4.1 Creating Authenticity and Transparency (CAT)

According to study respondents, an important and growing part of CDRP is authentic and transparent communication of the intent and reasoning behind business decisions, including CSR. Respondents commented that it is important to ensure that all stakeholders, including employees, understand the direction of the company. They want to ensure stakeholders perceive the actions of the company as appropriate responses to their concerns and expectations. If executed properly, the reputation of the company should improve and constraining forces diminish.

The current era of CSR evolution in the pharmaceutical industry has evolved at a rapid pace, and it appears that the link between the influence of the LTO and the industry's reputation has heightened the importance of communications both internally and externally. Through authenticity and transparency, companies seek to create a synergy of understanding about their CSR response to stakeholder concerns, including the purpose, use, and outcomes of CSR. This first element of the CDRP appears to function by communicating information regarding the purpose and results of the other three CDRP elements to relevant stakeholders in a ways that will construct or reinforce perceptions of transparency and authenticity. The intention of CAT appears to be an attempt to engage stakeholders to create authenticity that will ultimately alleviate LTO obstacles and barriers and in some cases create mutual benefits by strengthening relationships.

However, the concept of transparency can be extremely subjective. Others may not perceive what one person or group views as transparent communication. It appears the companies are trying to cope with this issue of subjectivity by focussing their efforts on business practices that are key points of concern for their stakeholders (e.g. concerns about access and affordability by most stakeholders).

Communication appears to be the main method to create authenticity and transparency. Some respondents thought the industry had done a poor job in the past in externally communicating its perspective on decisions, such as pricing, product recalls, marketing, etc. They were of the opinion that the substantial gaps in external communications created issues with authenticity because of the perceived lack of transparency, and have contributed to the poor reputation of the industry. As a result, companies have chosen to expand and modify their communications:

There is a lot of movement to open up the black box a little bit and to help government, patients, consumers, and new media, just help people outside the company better understand the different risks and benefits, and the different decision points that get weighed inside a company. And sort of how, why and when different products come to market or how, when and why different geographic expansions are made or not made. Just a better understanding of what's going on inside the company so that there is a more holistic understanding of performance in the market place. (Respondent 18)

We now talk about the way we run our business, where previously we didn't have

active communications around, “this is how we are doing it”, now we do have that. (Respondent 19)

The focus on improving transparency in communicating with external stakeholders is a transition from a perspective where it was considered acceptable to limit external communications, to one that focuses more on stakeholder dialogue, which was observable on company websites where most discourses were constructed to inform interested external audiences and explicitly detail their prioritization. Based on comments by respondents and company websites, examples of such attempts at transparency include public disclosures of clinical trials, code of conduct violations by employees, and payments made to physicians. Each of these attempts represents a modification of the communication strategy to better respond to stakeholder concerns and expectations. When once it may have been more acceptable to be less transparent, companies now perceive that they should respond to the demands for greater transparency by stakeholders.

Some of that (industry backlash) has been put on us because of issues we've had in not being transparent; some regulations have been put upon us. But I think what has really been impressive is (Company A) has led the whole transparency initiative, which I think, again, could fall under the umbrella of CSR because it's saying we are going to be a good corporate steward and really be transparent in how we run our operations. (Respondent 22)

In addition to providing reasoning that a company should respond to LTO risks (e.g. further regulation), the preceding quote shows that the respondent perceives transparent communications as being tied to their CSR perspective evolution. It appears that this respondent considers it an act of social responsibility to operate the company in a more transparent way. Respondent 22 also talks about his company being the leader in their response to 'industry backlash'—a position that the respondent perceives as truth but also reflects a communication strategy to reinforce an identity as a leader rather than laggard in one area of CSR engagement.

Repeatedly discussed by respondents and company websites was the importance of transparency as an integral part of operating in a social context that increasingly emphasizes greater stakeholder dialogue:

That's the whole problem: you need to be very transparent. You need to be transparent with your stakeholders and with your customers. I mean all of your

stakeholders. How many stakeholders do we have? Loads of stakeholders. (Respondent 16)

Respondents also suggested that communications should not be unidirectional, recognizing that stakeholders have useful perspectives that can assist companies in identifying business risks and opportunities:

We talked about the requirements of a successful CR approach; we talked to them about how we got to our CR priorities by talking to a lot of different stakeholders; and then this is the approach that did get approved last week where we said that the obvious nexus between our shareholder's interest and society's interest as a healthcare company is access to health. (Respondent 17)

I interpreted the comments of Respondent 17 as implying their company is responding to stakeholder and society interests by finding the opportunities within their LTO. These opportunities focus on creating a convergence rather than a divergence of priorities in their dual role—an approach that could satisfy both shareholders and stakeholders.

Previously, non-constructive dialogues with critics were seen as contributing to the poor reputation of the industry. To address this issue, some respondents stated that their companies included dialogue with supporters and critics alike in an attempt to encourage mutual education. I interpreted this process as intended to assist the development and reinforcement of an authentic external perspective of the industry:

I've had an individual on my staff developing kind of a fairly rigorous approach to finding who are our stakeholders as it relates to corporate responsibility, and that stakeholder list should include organizations who consider us allies and individuals and organizations who would be considered critics. We need to have a conversation with those individuals. We shouldn't have those conversations with the belief that we are going to fundamentally change their thinking on these matters, but we should approach them with a fundamental notion that we may be able to improve our understanding of their issues and we may be able to improve their understanding of our issues. Success will be measured in maintaining that open dialogue. (Respondent 20)

I believe the pursuit of transparency in the communication strategies of the companies is guided by the desire to be perceived as authentic in their actions. Respondents viewed authenticity as achievable by transparently communicating their actions and behaviours to all their stakeholders, including employees. Based on comments by respondents, I would suggest the authenticity and transparency dynamic

is guided by the philosophy that the company and its employees must 'walk-the-talk' to prove to stakeholders that CSR policies and procedures are an actual response and not just rhetoric that lacks substance:

It is important for us to develop a good reputation, but it's important to walk-the-talk. When we go talk to our customers, talk to our payers, we are telling them how important it is for the patients to get access to the drugs and we have to make sure that we do everything that we can to make sure that patients have access to the drugs that they need. (Respondent 10)

Respondents thought it hypocritical to be promoting elevated levels of responsibility if also involved in ethical controversies such as product recalls and questionable marketing practices. Furthermore, they commented that employees tended to be the most critical of authenticity because of the insight provided to them by a more transparent perspective of company operations and a desire to be proud of their workplace:

If you are internal you are much more critical of it (increased responsibilities) than external people will be because you can see what is going on. So you completely undermine trust with your workforce if you don't walk the talk. Employees will spot very quickly a gap in the external rhetoric and what we are actually doing internally. Actually, the messaging needs to be the same externally and internally. You can't differentiate between them because we have a company of (tens of thousands) people. You can't sort of compartmentalize that. (Respondent 19)

Employees, as stakeholders, have the greatest proximity to the actions of the company, which also provides them with higher levels of transparency. Since companies rely on their workforce to operate, the ability of employees to spot gaps between their company's rhetoric and actions increases their ability to question and influence company decision-makers.

For these companies, the pursuit of authenticity with employees appears to be tied to the education, promotion, and reinforcement of the currently articulated values of the company. If companies are articulating their values in response to the perceived normative priorities within their social context, then doing so also creates a frame of reference from which employees can judge the authenticity of their actions and behaviours. Employees may then attempt to hold the company accountable for actions and behaviours they perceive as not living up the values that employees are constantly



being told to observe.

The combination of employee influence and the perceived benefits of CSR activities appear to have resulted in various methods to educate employees about CSR strategies. These include CSR opportunities, motivating engagement, encouraging discussion about CSR experiences, and empowering employees to help guide CSR-decision-making. An example of one such method is that some companies created internal website forums where employees can discuss their CSR-related experiences with other employees.

One of the tools is going to be almost like a Facebook-like conversation capability, where if an employee goes through this volunteer program, or they are in (specific program), or they did something on the (specific program), they can provide their thoughts and input, they can put pictures up, they can do video blogs, they can do written blogs, they can open up chat rooms, and find a way to have some longevity to the experience and to increase the breadth of the impact of the experience. (Respondent 20)

Opportunities for CSR engagement are also communicated to employees in a variety of ways; with customized notifications sent by email to employees based on their preferences.

Overall, focusing transparency and authenticity efforts on employees appears to be part of a larger strategy to ensure the companies can recruit, retain, and motivate employees, not just with regard to CSR. By attaining some level of cultural alignment with employees and the articulated values, the company can use employees to judge the levels of transparency and authenticity of the company responses to the concerns and expectations of stakeholders.

While the industry appears to be shifting toward increasingly open communication, some companies are having difficulties with transparency and authenticity, even as their CSR perspective evolves. For example, the following quote by Respondent 9 reveals a gap in CSR understanding between top management and other employees.

More and more I see now it's important for them (executives and management) to start leveraging our community involvement and the good that we do. Like I said, here in (affiliate location) it is difficult about the whole CSR because, to be honest, I don't think that our top management necessarily comprehends what the whole CSR thing is. When I talk about the big umbrella, which brings in the

ethics and all this, I think for our upper-management all these are independent and not under one umbrella. (Respondent 9)

These comments illustrate how communication gaps can result in uneven levels of CSR understanding among employees, and how the evolution of CSR is an uneven process. However, I observed that the majority of CSR communication gaps among company employees were the result of differing levels of tacit understanding embedded in position-based differences. For example, I observed that respondents positioned within a company's CSR team tended to have a wider and more progressive understanding of CSR in comparison to those in positions further away from the CSR decision-making responsibilities (discussed further in Section 4.4.3, p. 216).

Communications was a term used frequently by respondents and it seems to be the preferred method to generate and reinforce levels of transparency and authenticity. Companies 'talk' about what they think is valued and what they intend to do about it, but they also have to do what they said they would to complete the respondent-described formula for transparency and authenticity—walk-the-talk. The walk aspect and how it relates to and reinforces communications through promotion of interactions and other arenas for discourse is discussed further in the following sections.

#### 4.4.2 Measuring of Outcomes

In the previous section, respondents placed a great deal of importance on the concept of walk-the-talk. An important part of which is the reinforcement of CSR communications with evidence of what is being done, who is doing it, and what it is achieving. Measurements of CSR engagement outcomes results in the further development and reinforcement of authenticity with stakeholders.

However, most respondents indicated that measuring these outcomes is very difficult because social and economic outcomes are not easily isolated from the medical outcomes achieved by their products. The challenge of creating valid outcome measures is the focus of this second element of the CDRP; outcomes that include internal as well the external benefits of engaging in CSR.

Measurement of CSR in the pharmaceutical industry focuses on the outcomes of programs and policies. Respondents claim that their companies want to know if the

time and resources provided to create and staff CSR programs are creating a return on investment (ROI). However, respondents also indicated that the traditional view of ROI (strictly linked to a monetary value) is neither appropriate nor possible when measuring CSR: “I am not going to tell you that we would measure it looking at a return on investment because that is definitely not realistic” (Respondent 10). The general perspective provided by respondents is that CSR is focused primarily on the patient and improving their lives, implying other benefits are of secondary importance. Although respondents for companies with an expanded or integrated perspective of CSR suggested there is a business case for CSR, there was also a strong sentiment that programs and policies should not be oriented to improve the business if it meant sacrificing the goals of the other stakeholder groups. For these respondents, such a strategy would contradict the values and principles that were meant to guide the CSR engagement strategies of their companies.

Respondents expressed an understanding of the role of measurement in both reinforcing the purpose and perspective of CSR to stakeholders and identifying the strengths and weaknesses of programs and policies. I believe companies are engaging in the measuring of CSR outcomes not only to reinforce their transparency and authenticity with stakeholders, but also to continually assess what is or is not functioning properly. Additionally, as the companies evolve to incorporate CSR into their business strategy, it becomes increasingly important to be able to assess whether their integrated business strategy continues to be justified.

The range of different measurement strategies discussed by respondents reflected the evolving perspectives depicted in the last section. For example, companies, with a more traditional perspective of CSR, often relied on simple input/output measurements that were considered by other respondents as superficial.

In the past, we’ve talked a lot about simple inputs and output measurements, as an example. We said we were going to donate 10,000 vials of insulin and we donated 10,000 vials of insulin. Simple input/output kind of a measurement, but it shows no social impact whatsoever. (Respondent 20)

Respondents from companies with a more expanded or integrated perspective of CSR discussed their desire to customize measurements according to each of their CSR programs.

In the preceding quote, Respondent 20 describes the limitations of simple input/output measures: they are unable to measure social impact. If simple input/output measures do not measure social impact, then why are they used at all to measure CSR outcomes? I believe most likely there are three contributing factors: 1) it makes for easy reporting; 2) companies have long histories of using quantitative scorecards or metrics for measuring performance; and 3) complex social impact measures are difficult to create, collect, and report.

Based on my observations, the simple measurements alluded to by Respondent 20 are based on easily quantifiable aspects of CSR programs, such as the number of employees that participate in a particular program, funds provided for disaster relief, or medications provided through access to medications programs. These measurements are considered overly simple by some; but, nonetheless, important to all respondents. Not only are they the easiest outcomes to measure, but also these quantified measures or statistics are also easy to report and understand. Various company websites, most commonly those in the US, consistently followed a pattern of presenting a social need (e.g. a medical emergency in a developing nation), what the company was doing to address that need (e.g. provide specific medications and/or monetary donations through an NGO), and then presenting quantified measures of what they had achieved (e.g. how much medicine or money was sent). Regardless of their CSR perspective, it appears that these companies still place importance on simple input/output measurements. Quite possibly, it is because these measures are a quick and easy way to report some evidence of outcomes from CSR engagement. Particularly attractive is the fact that these measurements require minimal resources, but can still influence the perceptions of stakeholders.

Similar to how companies use existing CSR programs and policies as the foundation of their evolving CSR perspective, they take the historically dominant methods of quantitative measurement and apply them to CSR. For example, most of the respondents explained how their companies have applied their traditional use of metrics as scorecards to assess progress and success with CSR.

The key things in terms of measurement, I would say, is an increasingly robust system of metrics and key performance indicators that is then monitored globally, and so we report in through that. (Respondent 5)

The preference for simple and quantitative methods is reinforced by the fact that social outcomes are incredibly difficult to measure:

However, our goal now is mostly trying to measure because I think to get real value of one of your investments you need to be able to make or bring social change. So how do you bring social change? It is very difficult to measure, right? (Respondent 9)

Well you know, for example, we donate a lot of medicines, but we can't track those people that we've donated to so I don't know the outcome. (Respondent 13)

Confounding variables and obstacles to measurement create a difficult scenario for measuring social impact, which is actually the combination of not only social but also economic and medical outcomes. Some respondents displayed a clear understanding of these difficulties, while also stating that their companies are trying to figure out methods to overcome such obstacles:

So we are trying to figure how we measure lives saved, which is really hard to do because can you say, "well somebody in Africa didn't die of diabetes just because they got our medicine", or is it because the government also has a really good program to make sure that they're eating right and exercising. (Respondent 17)

Respondent 20 discussed how his company is trying to develop customized measures to assess the social outcomes (clarified as a combination of social, medical and economic outcomes) created by specific programs. For example, tracking and measuring patients who received greater access to medications as to whether their health (medical) has improved and if it has, did it also increase their quality of life (social) and ability to generate income for their families (economic). This measuring strategy involves a mix of qualitative and quantitative measures with the intention of reducing confounding variables so they can accurately correlate a CSR program's intervention with specific outcome(s). However novel this approach to measuring may be, I believe that its complexity brings up a major issue about the amount of time and resources that will be required to measure outcomes, especially since some global CSR programs are large and designed to help out thousands to tens of thousands of patients. The combination of this dilemma and availability of easier, although simpler

measures presents a difficult choice for companies that must also manage costs and the bottom-line.

A deciding factor that could influence the decision to pursue complex measures is the current effort by pharmaceutical companies to expand further into emerging markets. The governments in these markets are especially concerned with the positive outcomes companies can bring to their countries:

So we just had a delegation of parliamentarians from India last week, and you know they're not so interested in all of our philanthropic programs we are doing in Africa; they are interested in how are you contributing to India's economic development. (Respondent 17)

Difficult as it may be to measure the three types of outcomes (social, economic, and medical), companies are being pushed by stakeholders to address them; most notably by the governments of emerging markets. With the potential for significant barriers to entry and/or operation to develop, the incentive will increase for companies to engage in and assess whether strategies can effectively measure these outcomes.

As stated previously, the company of Respondent 19 has integrated CSR into its business strategy, but, even though it represents the most progressive CSR, it also acknowledged that some aspects of CSR could not be measured:

Some pieces are easier to measure than others, but, no, there's a lot of it that cannot be measured. But my favourite saying is that not all that counts can be counted and not all that can be counted counts, which I think Einstein said, and I think it is so true, just because we can't count something doesn't mean it isn't important. And so we can measure something, but a lot of our information is qualitative rather than quantitative stuff. (Respondent 19)

Respondent 19 and her company acknowledge that parts of CSR cannot be measured but the ability to measure should not affect their drive to implement such programs. It is possible that the result of their integrated perspective is a tacit understanding that CSR efforts will inherently benefit the company, reducing fears about not being able to measure some aspects of CSR engagement. Additionally, Respondent 19 makes the distinction between not being able to quantify some outcomes and the desire to collect qualitative data. The search for qualitative rather than complex quantitative measures suggests an evolving perspective on what and how to measure CSR.

In addition to measurements conducted internally by companies, participating in

externally verified measurements was a common practice among the respondent companies. The two main external measures discussed were the Access to Medicines Index (ATMI) and the Dow Jones Sustainability Index (DJSI).

We also participate in the Access to Medicines Index, which is a ranking of pharmaceutical companies' commitment to improving access to medicines in the developing world, and that is another externally verified rating that we participate in. (Respondent 18)

The DJSI is used worldwide and ranks companies, for both current and future investors, according to their ability to integrate economic, social, and environmental awareness into their overall business strategies, while still being financially successful.

Both external measures act as forms of benchmarking, so any audience can see where companies rank in comparison to each other while also assisting companies to identify their own areas of strength and weakness. Additionally, I believe companies participate to mitigate possible reputation repercussions associated with not participating in an external measure that assesses critical components of their stakeholders' concerns and expectations. Depending on their perspective, respondents displayed a mix of pride and a sense of obligation to participate in them.

Overall, the measurement of CSR was thought by respondents to be important in identifying evidence that the time and resources the companies are investing in CSR is resulting in social, economic, and medical outcomes. Some respondents, however, placed greater importance on measuring CSR to identify how it is benefiting the company, while others tacitly understood its internal benefit and, therefore, were more focused on the external outcomes. Also important for companies was that measuring outcomes assisting them in demonstrating to stakeholders that their CSR actions met or exceeded their communicated intentions (i.e. evidence to support walk-the-talk).

#### 4.4.3 Cultural Shift and Alignment (CSA)

According to respondents, the leadership is largely responsible for the culture of companies. In response to the opportunities and threats associated with their social context, leadership must ensure company culture is properly aligned with its stakeholders. The following section examines the relationships and interactions within the workforce that are acting as an engine to both shift the culture of companies and

realign employees to the changing culture through processes designed to avoid conflicts and maintain or develop smooth corporate functioning.

Respondents reported that the leaders or executive are mainly responsible for guiding and driving CSR throughout the company. As stated previously, support for CSR from the top is seen as essential to an authentic walk-the-talk culture. The following two quotes provide examples, respectively, of leaders articulating the philosophy to guide company culture.

I think the tone has been set from the top and I think that's absolutely critical, and I think that there has been a real drive to really embed it in business practice, right. If you're talking about sort of the philosophy, the philosophy certainly emanates from the top. (Respondent 5)

We also have a great deal of personal involvement from our chairman and CEO in overseeing a number of our philanthropic programs, particularly in sub-Saharan Africa where we have a lot of infrastructure building that we have done and partnerships with local governments. Our chairman/CEO has personally visited all of those sites and has been quite involved in the design and development. (Respondent 18)

Employees acknowledge their reliance on leadership for guidance, since all the respondents emphasized that support from the top is important:

I think an essential requirement is support; not just support, actually, it's got to be driven from the top. If you don't have a CEO and a board that really believes that this is important, then I think that we are really stuck. It's really hard to make any progress because people in the business just won't feel comfortable driving change. (Respondent 19)

Respondent 19's comment is interesting because it has been stated repeatedly that employees, as stakeholders, are able to influence the decisions of their companies. I believe employees do influence the decisions of the company, but still look to leadership to analyze and shape a response and then guide the company with regard to that decision.

The leadership of the company responds to social context forces by choosing the overall direction and focus of CSR, and then place personnel in charge of designing and implementing the strategy. I suggest that there are currently two main evolving roles associated with leadership: 1) developing an authentic walk-the-talk response to help drive and articulate CSR reasoning and priorities; and 2) placing the proper personnel in



positions so that their goals and objectives can be achieved:

I think one of the things that a CEO does is to identify a few really big priorities and then build the team around them, below them, who can sort of operationalize those and actually allow them to happen. (Respondent 4)

According to respondents, the 'CSR team' came in many forms and sizes. CSR teams ranged in size from a single employee to more than ten and this variance was attributed to the CSR perspective of the company. I observed that at a company with a more traditional perspective, CSR duties are given to an employee in addition to their regular job, while an expanded perspective has a dedicated person or small team. These individuals and teams tend to operate on a full-time basis to develop, organize, implement, and report on CSR. Respondents from the latter discussed their desire for a global-based, higher level executive CSR position. For the integrated CSR perspective, the size of the team actually declined to a few employees that focused almost exclusively on CSR reporting. Since CSR was integrated into the overall business strategy, I assumed that all high level executives are expected to prioritize the application of CSR like an umbrella over the entire company.

In reflecting on the evolution of CSR perspectives from traditional to integrated, I became increasingly cognizant of a stream of awareness and motivation that runs through the workforce, relating to the variety of benefits that CSR engagement can produce for participating employees and, in turn, for the company as a whole. The combination of the reliance on employees to implement and operate not only CSR programs but also all of a company's operations and its growing strength as an influential stakeholder has created an employee-centric approach to CSR engagement. By being perceived as authentically engaging in CSR at a normatively approved level, the company not only elevates the morale of its employees, but also increases its ability to recruit and retain employees.

Employee engagement, attraction and retention of talent, while not the primary focal point of our work, is another outcome that is worth mentioning.  
(Respondent 18)

I just can't imagine that we would keep the quality of people if we didn't engage in it (CSR). (Respondent 13)

So in other words: to keep talented people in our company we have to be good at

corporate social responsibility. (Respondent 6)

In effect, CSR is perceived as appealing to a new generation of employees who want to use their skills and abilities, not just to earn a paycheck but to contribute to society in a meaningful way. It appears that companies are realizing that they have to respond to this desire by offering appropriate CSR programs, which are designed to be perceived as authentic. If they do not, it could influence the quality of talent they are able to attract and retain. As the previous quotes illustrate, respondents routinely talked about the use of authentic CSR as a method to secure the top talent they desire.

I believe that, as leaders of companies are attempting to engage in CSR as a response to the forces of stakeholders, they are both consciously and unconsciously shifting the culture of their organization. They create programs and policies, re-articulate values, and place personnel in positions to design, implement, and operate programs and policies, but the same culture they are shifting applies new pressures on the culture to continue to shift:

I think it (CSR engagement) really plugs us in and grounds us because sitting here in the Ivory tower of the corporate centre one can kind of get immune to what's going on around us. And that was the huge benefit for me, was just grounding me, and, Oh my gosh, just within a couple miles of this beautiful campus, there are homeless people walking the street and what are we doing about that? (Respondent 22)

As companies identified the employee benefits attributed to direct interaction with CSR programs and policies, they expanded their CSR programs to better promote opportunities for further employee empowerment and engagement. I saw this as part of the response to what Respondent 22 had stated—companies realize they have to get more and more employees engaged in CSR activities because it helps to align the culture to the strategic direction of the company. The employees gain normative insight into CSR and they in turn push the company to further engage in CSR; the process continually builds incentives, fuelling the evolution of the company's CSR perspective.

For example, to sustain perceived employee benefits attributed to direct CSR engagement, some respondents describe how their companies are creating forums of communication between employees to share and discuss CSR experiences.

Additionally, to further motivate employees to engage in CSR, companies use a variety

of methods designed to empower employees so that they feel more connected with the decision-making aspects of the CSR strategy:

Unless we get our employees to places that expose them to the realities of healthcare delivery in other locations, they won't have the skills to be able to think in a way that helps them make decisions that align back to our strategy and reflect the global nature of our company and the global nature of healthcare issues. I think the third and final thing is that we want our employees to be inspired and engaged. We think that by offering an array of things like appropriate pay, appropriate benefits, a work environment that provides a culture that's supportive of innovative thinking, and we help our employees recognize that the company supports activities that allow them to expand and deepen their thinking, touch the world in ways they might otherwise not and allow them to find effective ways to improve their expertise, that those things will engage and inspire employees. (Respondent 20)

The cultural shift and alignment element of the CDRP focuses on how leaders respond to the forces of stakeholders by making strategic decisions that tended to require a shift and then realignment of the company's culture. This process is intended to ensure the company has the skills and expertise to follow through with its responses to stakeholder forces. I interpreted the culture shift and realignment process as comprised of methods to encourage employee participation in CSR as a way to reinforce cultural alignment. It was perceived by most respondents that this strategy affected employees by inspiring motivation and enhancing their skills and expertise through a close proximity to CSR engagements. However, by exposing employees to CSR engagements and promoting a culture that is increasingly broadcasting the benefits of a CSR mindset, employees, as stakeholders, gain influence to further shift the company culture. As leaders and employees align to a culture that pushes for further CSR engagement, I believe it will justify and incentivize additional CSR perspective evolution—a self-reinforcing, circular process.

#### 4.4.4 CSR Programming

The following section will explain how programs are developed and implemented at the local and global levels to align with the evolving perspective of CSR.

#### *4.4.4.1 Local and Global Program Dynamics*

Respondents perceived the CSR framework as coming from the executives in the global headquarters of the company. The executive committee was observed by respondents as creating the overall focus for CSR strategy, which the leaders at affiliates articulated and implemented a CSR strategy. Analyzing the observations of respondents, I interpreted that the executive committees are currently attempting to create umbrella CSR strategies to make sure that their strategic response to stakeholder forces is consistent across their companies, which are comprised of tens of thousands of employees. It appears to be a process of clarification and control. Therefore, CSR programs of each company were broken up between global and local efforts, with the global framework guiding both:

I think what you, the way I would divide it up at least in a large company, is you are going to have purely local CSR initiatives, you're going to have, some could be regional but probably not a lot, and then you are going to get some global efforts. (Respondent 21)

Based on respondent discussions of local and global programs, it was evident that the differences exist because of the unique forces at each level. Global programs addressed larger, trans-national concerns and expectations, while local programs responded to the desire to be a positive force in the communities in which they operated.

For example, global CSR efforts tended to be substantially larger and more complex, and they often required more resources as a result. The majority of such programs at the global level were referred to as 'flagship' programs and seen by respondents to globally symbolize the level of commitment and authenticity the companies had for CSR and the values they communicate, such as removing barriers to healthcare, creating greater availability of products, and implementing regional pricing based ability to pay. I interpreted this as a global response to larger issues affecting the entire pharmaceutical industry.

One example of a flagship program would be a program of one company to research and develop a drug to cure or to treat a neglected disease where substantial investments are needed to produce the product, which is then sold at not-for-profit or low profit prices. A high sales volume often compensates for lower profit pricing so

companies can still make a profit while providing a necessary medicine to a disadvantaged population.

The transparency of flagship programs is promoted on company websites by way of the previously described formula: explaining a social need, what the company can do, how they do it, and the results to date. A company's flagship programs appear to manifest from concerns about violating the global elements of their LTO. In some cases, these programs might represent a method to be above board with regard to one or two of the concerns they have prioritized. Through flagship programs, companies can promote their authentic commitment to the social needs of stakeholders at a global level. If there is a connection between LTO and reputation, then flagship programs may be viewed as a strategy to improve the reputation of a company.

At the local level, CSR programs are generally designed on a global strategy framework but customized to meet community level concerns and expectations:

Regionally, or locally, it's really an affiliate, an individual affiliate decision. It could be just a couple of employees getting together and saying we want to spend some time on Habitat for Humanity, OK? That's very simple applied stuff. It could be an entire affiliate getting together and saying, "we want to participate in the Terry Fox cancer run", and we do that quite a bit in a few places. That's a local decision. (Respondent 21)

Respondents often took great pride in the CSR programs designed for the local setting because they wanted the company to be perceived as a contributing member in each of their operating locales. These CSR programs tended to be relatively basic programs that offered the maximum opportunity for employee inclusion and empowerment. The perception of the respondents was that their company wanted to embrace employee desire to live and work in a healthy and prosperous community. In addition, Respondent 21 suggested that employees wanted not only to be part of the efforts to help local communities, but also to have the opportunity to shape the programs that were initiated in their communities. These companies appear to be motivated to contribute to their local communities in no small measure because of the presence of their employees in these communities. The employees have a more personal stake in how the company operates in the same neighbourhoods where their families live. The long tradition of local initiatives seems to reflect leadership

understanding of employees wanting a healthy and strong community in which to both work and live, and of business benefits that can result.

#### *4.4.4.2 Evolution of CSR Programming*

It has been suggested that companies are growing in their understanding of how to construct a business case or a win-win scenario as they develop and reinforce their CSR engagement. Companies attempt to transparently communicate this understanding down through the employee hierarchy to create a perception of authenticity that should motivate and enlighten employees as to the potential benefits of CSR engagement. To complete the authenticity of CSR communications, programs need to be created to reflect what is being communicated and measurable to provide evidence of the company walking-the-talk. Based on the comments of respondents, companies are increasingly trying to ensure communications about CSR programs are manifested in actual programs. It appears that, as the perspective of CSR evolves, so too do the associated communications and programs of the company.

For example, referring to a more traditional CSR perspective, respondents described programs that are more basic in design and relatively easy to implement. Simple philanthropic ventures such as contributions to charities, matching programs for employees, disaster relief, drug donations, some volunteer efforts, and prioritizing health and safety for patients and employees. Most respondents described the focus of these CSR programs as not being well aligned with business priorities of a company, described one as a “shotgun technique” (Respondent 1). That is not to say that respondents thought these programs were ineffectual; but they tended to believe that these programs had limitations—limitations understood only as the process of CSR perspective evolution provided a lens for self-reflection (e.g. some concepts of CSR evolved out of the occupational health and safety area (Respondent 16)). Therefore, as perspectives evolve, one-way transactions are no longer perceived by those within the company as an effective means for making up the totality of CSR programs (see Respondent 4 quote, p.190). Some respondents suggested, however, that these types of programs continue to exist because employees take pride in them and, I assume, that stakeholders continue to see benefit from receiving them. In addition, these

programs are the most inclusive of employee participation because they offer the most direct opportunities for participation:

What happens is that we have sort of traditional campaigns where every year we would collect donations for charities and collect presents under the tree and we still do that, but you know we began to sort of look at how we could be more effective. (Respondent 5)

As a company's perspective evolves, however, I suggest they analyze programs to look at how they can be used to enhance partnerships and relationships with different stakeholders to produce better outcomes in a two-way flow of resources:

Over the last few years, I think a lot of leading companies have started to bring together this thinking that used to be grounded in that EHS function on the one hand and in the philanthropic in the other, and try to bring it together in a much more holistic fashion and also make it much more proactive, where we are listening to and engaging with stakeholders and then developing systematic programs and processes to address stakeholder issues and concerns. (Respondent 18)

The improvements to achieve the change in focus that respondents described results in a diversification of CSR programs. Newer programs build on the existing ones, but are modified to better align the assets and expertise of the business with the current concerns and expectations of stakeholders to become more strategic in their CSR focus. One way I observed this process was that in addition to donating funds or finished products, companies are beginning to transfer their assets and expertise to build and strengthen relationships. The following are two examples of how companies are modifying traditional programs to better represent an evolving CSR perspective. First, in locations where the companies have limited operations, there are transfers of the knowledge needed to produce the products or the expertise and equipment needed to directly manufacture the products to governments or capable local companies. The second is investing money and expertise-related resources (volunteers) to improve the healthcare infrastructure of emerging or developing nations.

The companies of respondents were also described by some as seeking out expertise from other groups or organizations to channel the combination of expertise from both parties in an attempt to create greater social outcomes. I saw this as companies acknowledging the limitations of their own expertise and the benefits of

collaborating with others to combine areas of expertise to fulfill their commercial goals.

For example:

We are going to be developing other commercial partnerships with distributors in some of these countries in sub-Saharan Africa where we don't have offices. We don't know the local distributors, so we right now couldn't really do a great job selling our products throughout Sub-Saharan Africa, but we know that there are companies, small companies, that do that in these countries. So we are going to be developing relationships with them. (Respondent 17)

What begins to emerge is that CSR programs based on expanded and/or integrated perspectives are being designed and enhanced to create strong relationships with stakeholders across the world. The intention of these relationships is to provide positive outcomes that address the pertinent social needs of stakeholders while enhancing the sustainability of the business. I see this as evidence of an evolution of their response to stakeholder concerns and expectations—a process incentivized by the identification of business opportunities. Respondent 20 describes the process of evolution from an internal, business perspective:

Sitting here in this museum is one of the examples of (Company A)'s first philanthropic efforts, and they were truly philanthropic. It was providing monetary gifts or product gifts to organizations or entities in need and whose mission was aligned with the corporation's areas of focus, but it was the most simple of corporate responsibility. It was writing a cheque or giving a product. I think over time, (Company A) has sought to evolve its corporate responsibility to be more aligned with its assets and expertise. So in addition to monetary donations and product donations, how can we leverage our unique assets and expertise in research and development, in manufacturing, in distribution, in marketing, in patient outcomes to provide clear, improved patient outcomes in areas that we would focus? I think today the definition that we would crystallize our corporate responsibility work around is really one where (Company A) is identifying areas of social need, areas where we have unique assets and expertise to bring against that social need, and where there maybe business opportunity.

By identifying methods to develop benefits for both the stakeholder and the company, a snowball-effect gains as the company evolves closer to an integrated perspective of CSR. According to Respondent 19, CSR programs are no longer referred to as programs because such terminology would make it appear that CSR is mutually exclusive from other business strategies:

We don't have a CR strategy, we have a business strategy and we build responsibility into all our activities. So we don't have a separate CR strategy



because what that's saying is that CR is a standalone activity and it's not. You can't use animals in research and then have a separate strategy in doing that in a responsible way. If you generally are going to be a responsible business you have to build it into every policy you've got. We just don't have a separate CR strategy. (Respondent 19)

According to Respondent 19, when a company merges its CSR and business strategies the programs that were previously considered CSR are now the methods of doing business: "I think it's about the way we do our business. So, it's sort of the how we make our money rather than how much money we make" (Respondent 19). This suggests a guiding philosophy that the company can become more successful and sustainable by focusing on their CSR perspective and embedding it into their entire business strategy. I believe a number of these companies have identified that conditions now exist that make it justifiable and even beneficial to operate their business in a symbiotic way with stakeholders.

#### *4.4.4.3 Summary – CSR Programming*

CSR programming at pharmaceutical companies is the method by which they manifest the observed pressures from their stakeholders of their social context in CSR programs and policies. In relation to the elements of the CDRP, and to be viewed as authentic, CSR programs must transparently communicate the goals of the company. Once created, the programs interplay with the other parts of the CDRP. For example, in transparently communicating the CSR perspective, CSR programs are measured to determine whether the outcomes achieved align with company and stakeholder goals. In this way, evidence of success will reinforce to stakeholders that the company is authentically doing what they are saying they are doing.

The CDRP is occurring at all levels of CSR programming. This is because there are differing stakeholder forces present within each level. As a result, global programs mostly represent a response to international stakeholder concerns and expectations, while local programs are designed to reflect what is perceived as a positive force or need in the community. The global strategy acts as the dominant framework for all levels of programming because respondents indicated that company leaders are looking for consistent strategies across affiliates as a method of control and predictability. As a

result, this strategic approach is used to align various programs to the CSR perspective of the company.

During the process of CSR perspective evolution, programs are continually improved upon, and programs are created to address newly identified opportunities or risks. Beginning as a basic one-way transaction, their CSR perspective appears to be leading to the diversification of programs to better align assets and expertise with social needs while moving towards integration with standard business operations.

#### 4.4.5 Summary – CDRP

As the CSR perspective of companies evolves, an internal process (CDRP) comprised of four elements (CAT, measuring outcomes, CSA, and CSR programming) operates as an internal engine to power the processes guiding the evolution. Reflexively, the results from the CDRP also fuel further perspective evolution, feeding back into the company to add further incentive for CSR engagement. The overall CDRP creates an environment for justifying the evolving CSR perspective to both leaders and stakeholders, and the result is a complex web of interactions that appears to be constructing further opportunities for companies.

It appears that management of the four elements is necessary to create an environment where it is possible to evolve, and as a way to inspire or provide insight into pathways of further evolution. To add complexity to the CDRP, there is a high level of interdependency between the four elements. For instance, executives of a company initiate most substantial business strategies because they are the leaders of planning for the company's future. The leaders seek to shift and align the culture according to the values, actions, and behaviours that they perceive should be normalized to maximize the potential for the successful implementation and operation of their strategies. The purpose and function of the strategies are then communicated throughout the company in an increasingly transparent way to help support and sustain a perception of authenticity. At this point, the CSR strategy, or program, is a vaguely defined idea requiring individuals or groups within the company to turn it into a clearly understood concept or plan. CSR designated employees then design programs that follow the communication strategy and set in place the appropriate personnel for

implementation. The CSR program's purpose and opportunities for inclusion are communicated across the organizational hierarchy to encourage engagement and understanding. The outcomes of such programs are measured for results, which are used to provide evidence to various stakeholder groups to judge company commitment. The combination of each element of the entire process creates justification for the company's response to their social context while also, depending on the success of their strategy to create authenticity, supporting greater insight into opportunities to further incentivize the entire process of evolving their CSR perspective.

Overall, I perceive the CDRP as a behind the scenes process of internal evolution that makes it possible to shift the strategies of the company to adapt to an evolving perspective. This does not mean, however, that the CDRP is a predictable cycle that will lead each company along the same path. How companies respond to the concerns and expectations that form the LTO, whether or not they will even acknowledge stakeholder influences, and their differing histories, experiences, and values can all contribute to a divergence of strategies. Although I observed that the majority of pharmaceutical companies have been following this path, it does not mean that they will continue to follow it to the same end, or that there is a simple end point. They may veer off in a new direction based on a perception of different risks and opportunities. Some may choose to stay where they are because it is perceived to be sufficient, or there could be a change in social context that could result in the regression of their CSR perspective. Whatever the future, the current tendency in the pharmaceutical industry is to translate their unique healthcare/for-profit nature of the industry to increasingly construct a response to LTO concerns by finding opportunities to better understand their relationship with society and to focus on the creation of mutual benefits for the purpose of sustainability.

#### **4.5 Symbiotic Continuum**

The intention of this section is to summarize my substantive theory in an attempt to identify and explain the evolving response interacting with the CDRP in creating an evolution of CSR perspectives to a more integrated and symbiotic relationship between companies and society.

Based on my interviews with the 22 respondents and my analysis of the company websites, I have interpreted the current evolution of CSR in the pharmaceutical industry as spiralling process through three distinct yet interrelated CSR perspectives (Section 4.3, p. 184). As a company's CSR perspective evolves, it can be thought of as moving along a continuum that represents the relationship between the company's priorities and those of globalized society. As the three previously described components of the substantive theory (Social Context, Three CSR Perspectives, CDRP) are seen as analogous to the interdependent parts of an automobile, the symbiotic continuum is analogous to the reference points on a directional map. In the case of CSR in the pharmaceutical industry, however, it may also provide additional insight into the reasoning for the transformative social process of companies responding to their social contexts through continual development and reinforcement. I believe this process is resulting in an evolving CSR perspective that is moving toward further embracing a symbiotic relationship with not only local communicates but global society. As Respondent 19 explains, her company's process of interpreting and responding to their social context and the resulting insight should lead to the integration of societal expectations with those of the company:

We go absolutely out of our way to make sure that we don't deviate outside regulations and legal requirements. But there's an element of responsibility that takes us beyond just complying with the law and there are some areas where we've had to pay more attention to what the external expectations are, the way those expectations are developing, and making sure that as a company we understand that and integrate those expectations into the way we run our business. (Respondent 19)

Respondent 20 explains a similar concept of CSR evolution:

When organizations like ours can identify those locations, we really believe that we can have meaningful impact on individuals. We can produce a sustainable corporate responsibility model that could ultimately just blend into being part of the business. In sum, it's a long definition, but it's a definition of evolution, and (Company A) is just now stepping into that shared-value space. (Respondent 20)

The current trend of CSR evolution appears to be incited by societal notions of awareness and desire for more responsible and socially oriented practices by pharmaceutical companies. As stakeholders gain greater influence, it raises company

awareness that a response is necessary to avoid repercussions. For most companies this response has evolved into the identification and/or creation of opportunities to further business interests in tandem with those of stakeholders.

My analysis suggests the traditional CSR perspective is more attractive to companies that are internally focused, reflective of a silo or narrow perspective that the company held about its relationship to society, which tended to greater weight to local responsibilities; however, even those responsibilities were narrow in scope (e.g. local philanthropy and volunteering). The company interacts with society on a daily basis through simple transactions but its perception of the totality of its impact on society and vice versa is minimal.

Whereas if you have a more traditionalist CEO who says at the end of the day it's more about selling products, it's more about kind of the basics and fundamentals of a business, than the way it was 20 years ago, so many things are changing, in that sense it probably would be that the corporate social responsibility team in a company like that may feel more constrained. (Respondent 4)

My analysis also suggests that as companies undergo the CDRP that fuels and responds to their evolving CSR perspective, they perceive a more inclusive relationship with society. In effect, the symbiotic continuum references the approximate location and direction of the company's perspective of their relationship with global society. Once started, the process of CSR evolution becomes increasingly justified, creating further incentive. As these companies continue to improve and construct CSR/business strategies towards shared-value creation, they also develop skill sets to better identify and create further opportunities. For some companies, this process may eventually result in a desire for the merging of CSR and the overall business strategy.

My interpretation is that as a CSR perspective evolves, it ties together the sustainability of the company with an understanding of how the company relies on globalized society just as much as society relies on the company. The strongest example of this among the companies whose members participated in the study is an attempt to create mutual sustainability through business strategies that appear to be emphasizing a symbiotic relationship; CSR is the strategic vehicle to achieve this goal.

It's part of that reputation that you don't only want to be seen as a business; we want to be seen as part of the community. (Respondent 1)

But to me it's all about sustainability. (Company D) is not going to survive as a company, or any company wouldn't, if they don't pay attention to this; they will lose their license to operate. Consumers, to the extent that they can in our industry, will not want to take our products; if a doctor has a choice, they will consider prescribing another product if they feel better about that company. If we don't pay attention to these things the risks will increase and those risks will eventually have a bottom line impact. On the flip side, there are opportunities in terms of selling more products. The other thing that I think the pharma industry needs to do a better job on the opportunity side is: how do you create products that speak to social needs? (Respondent 17)

The ties created through connecting and interacting with a variety of stakeholders bonds the business and society together, which can be further strengthened by utilizing the potential for shared benefits within a symbiotic relationship. As a result, a growing priority of CSR is to create mutual sustainability:

We are very much committed to building sustainable and replicable models where rather than just providing a cheque to an organization, we are helping that organization build infrastructure, build capacity, and learn to operate in a sustainable way that will continue long after our footprint is gone. (Respondent 18)

The perception of many respondents was that it is far more difficult for a company to fail if society not only relies on the company's products (goods and services) but also perceives it as having an important and interconnected role to play within that society. Therefore, rather than operating under the assumption that the responsibilities of business and society are mutually exclusive, I believe companies within the pharmaceutical industry are evolving from a traditional perspective to one that is more symbiotic and incentivized by mutual sustainability.

Currently, the best example of this response in the pharmaceutical industry is various attempts to use symbiotic strategies to gain entrance into emerging markets. Different respondents stated that their companies have identified the emerging markets (India, China, Brazil, and Turkey) as the major sources of market growth in the future, and not the traditional western markets (European Union and North America). Economic pressures combining with industry change and a growing influence of stakeholders are necessitating some form of response by companies to address these issues or face a range of repercussions. Respondents explained that traditional ways of conducting business are contested in these regions, which, in combination of their

financial importance, has challenged business to adapt their business strategies.

The way we as a business are going to grow is to essentially optimize our business in emerging markets, and we are not going to do that if we continue the previous practice, which was just to sell just to the top echelons of society, to the wealthy people. You've got these vast populations that don't have access to our products because our products are expensive. Well it is in our interest as a business to improve access and thus improve the volumes we sell, and so it is a win-win. We improve our business and we improve access to medicines at the same time. That is mainstream business. (Respondent 19)

In a citizenship point of view, the same places where we are looking to create new markets are also the places where there is a need for meaningful and sustainable employment opportunities for the population. The idea of the bottom of the pyramid for us is a business opportunity to find ways to reach people at the bottom of the pyramid and a development opportunity to help people at the bottom of the pyramid achieve economic growth and productivity, and it's also an opportunity to improve the state of health care at the bottom of the pyramid. (Respondent 18)

The symbiotic continuum provides a road map for how the CSR evolution at pharmaceutical companies is affecting their relationship to a globalized society. Therefore, the current trend of CSR perspective evolution is resulting in wider perspectives that emphasize a more inclusive relationship with all of society as a means to create a more successful and sustainable business.

#### **4.6 Summary of Results**

Based on data collected and analyzed from 22 respondents and their respective company's online CSR disclosures, I developed a substantive theory of why and how engagement in CSR is evolving in the pharmaceutical industry. The goal of the theory is to explain the variety of social and organizational forces, constraining and enabling, that influenced pharmaceutical company decision-making processes. Additionally, I sought to determine how CSR perspectives continue to evolve the creation of snowballing opportunities that are increasingly directed towards matching stakeholder concerns and expectations with those of the business for the purpose of mutual sustainability.

To better explain my theory, the complex processes of each component, and how they interact with each other, I developed a visual tool or model of the substantive

theory of CSR evolution within the pharmaceutical industry (Figure 4.3, p. 145). This model compiles and articulates the four main components of the substantive theory into an active, three dimensional spiral design to show their interdependency in the process of CSR evolution. As explained earlier, the theory and model represent a glimpse into CSR evolution. Such CSR evolution should be understood as a dynamic process, this model and any other representation are open to modification.

Encompassing the entire model, the social context of the pharmaceutical companies acts like a web of influence that is shaped by their business orientation, values, and experiences, in combination with a variety of constraining and enabling forces stemming from the concerns and expectations of increasingly influential stakeholders. The LTO constructed by internal and external stakeholders is perceived as having various methods and levels of repercussions if violated. The complex navigation of variously weighted influences comprising the LTO creates a nebulous series of decision-making pathways. The various responses navigating companies through these pathways have resulted in a continual, socially based evolution of CSR in the pharmaceutical industry, where company and employee relationships with each other and stakeholders have reshaped the meaning of CSR and the role it should have within the operations of companies.

Represented by the spiralling structure in the model, I positioned the three evolving, interconnected CSR perspectives to reflect changing philosophical outcomes and their tangible formations that result from the responses generated through the decision-making process. Being foundational, each perspective builds upon and applies the changes to already constructed versions of programs and policies to make them more reflective of the evolving perspective. As a result, companies tend to blur across the three perspectives as they evolve.

I observed that respondents are able to foresee only the third (integrated) perspective, but that does not mean that the evolution of CSR perspectives will halt upon its realization. Moving into this perspective will most likely create new insights into future routes. In contrast, if companies do settle into the integrated perspective there can still be continual changes to how this perspective manifests in company operations. It seems unlikely, therefore, that a company's overall approach to CSR will become



stagnant. Additionally, changes in the social context and/or justification for CSR engagement could lead to a response that alters the CSR perspective, or possibly sends it into another direction. That is why this theory explains the current response and resulting strategy, and it is not a guaranteed roadmap for the future of CSR in the pharmaceutical industry. As a result, within the model a chevron symbol on the spiralling perspectives is used to show the possibilities of both progression and regression.

In the model, the continual development and reinforcement process (CDRP) is represented by circles with rotating arrows around them, to symbolize a continual motion. These arrows are located within the spiralling structure of evolving perspectives because I interpreted the four elements as the interconnected parts comprising the engine of the entire process. The purpose of the CDRP is composed of four elements—creating authenticity and transparency, measuring outcomes, cultural shift and alignment, and CSR programming—that combine to create functionality from the alignment of resources, policies, and perspectives to achieve a company's CSR objectives and goals. The four elements are interdependent and constantly interact with each other, making the entire CDRP process more effective and efficient in manifesting and reinforcing the company's CSR perspective. However, the CDRP is not merely a reactive component of the evolution of CSR. Not only can the outcomes generated within it help to achieve CSR objectives and goals, but they can lead to the identification and construction of new opportunities that further justify and add incentives for CSR engagement.

I created the model such that the spiralling perspectives wrap around to symbolize the continuum of a company's perceived relationship to local and global society. It ranges from a perspective of the relationship between business and society as almost separate (e.g. connections tend to be isolated to the local level) to symbiotic (e.g. understanding the interconnections of globalized society), where mutual health and concern flourish. In the model, the traditional CSR perspective is located closer to the bottom of the symbiotic continuum (represented by sporadic or scattered pixilation in the continuum) because this is where I interpreted companies to be expressing a smaller or narrow relationship with society. As the evolution of the three perspectives occurs,

movement up the continuum results. Therefore, the integrated perspective is associated with companies perceiving a more symbiotic relationship with society on a global scale rather than just locally, which they can use to create greater levels of mutual sustainability. In addition, and similar to the chevron arrows in the spiralling structure, the continuum has multi-directional arrows. These were added to symbolize the concept that changes in the multitude of forces affecting company decision-making could cause companies to revert to previous perspectives or shift directions to new perspectives of their relationship to society.

Overall, the intention of the model is to articulate the interdependent functioning of the four main components making up the substantive theory of CSR evolution in the pharmaceutical industry. Originally, the way that the four main components interacted with each other was described as similar to the separate parts of a car. Although they function somewhat separately, they require each other to effectively and efficiently carry out their intended purposes. Most importantly, if all parts are properly functioning, then the car, or theory, can proceed with fewer interruptions as it heads towards its destination. Like a symbiotic relationship between business and society, the components rely on the health of each other to be able to operate at their full potential.

## 5. DISCUSSION

Using a grounded theory approach, I constructed a substantive theory to explain why and how CSR is evolving within the pharmaceutical industry. The theory contains four main components (social context, CSR perspectives, a process of continual development and reinforcement, and symbiotic continuum). A relational model of the components illustrates how they interact to function as an engine to drive CSR evolution (Section 4.1, p. 141). Although some aspects of the theory appear to depict a deterministic path toward an integrated perspective of CSR, the relative stability of changes in perspective is questionable because of the availability of alternative pathways and the uneven progress of companies along the continuum. Signs of heterogeneity, and the freedom to choose, challenges the assumption that each company will follow the same path.

Based on primary and secondary data collection and subsequent analysis, the substantive theory is purposely designed to provide an informative glimpse into: 1) how respondents and companies are making sense of the pressures they face within their social context; 2) how evolving responses circulate and are continually reinforced; and 3) how such changes alter company relationships with society. The theory was developed using grounded theory, and as such is distanced from the theoretical literature by relying almost exclusively on primary and secondary data sources (some organizations discussed by respondents required some use of literature for explanation purposes). I believe, therefore, that it is acceptable to modify and further articulate the model by identifying how it overlaps with the framework of different organizational theories. Although a number of theories used to analyze CSR were presented in the literature review, I eventually came to the conclusion that two theories were particularly suitable in providing further insight in to my findings: institutional theory and stakeholder theory.

Initially, I considered stakeholder theory as the best lens to examine my substantive theory, but upon further reflection, I came to view it as too limited in its theoretical scope. Stakeholder theory does provide a philosophical argument to explain why companies should be responsive to the pluralistic expectations of stakeholders who influence or are affected by the operations of companies (Freeman, et al., 2007). The

theoretical foundation is “managerial and recommends the attitudes, structures, and practices that, taken together, constitute a stakeholder management philosophy” (Donaldson & Preston, 1995 p. 87). Research into this area examines the empirical evidence as to whether or not a stakeholder-oriented strategy is viable and successful over the long-term (Donaldson & Preston, 1995). Additionally, studies using this approach attempt to assess the relative influence that stakeholders have on company operations; whether they can change the flow of resources to a company or limit how they can use such resources to effect change (Yang & Rivers, 2009.)

Based on my substantive theory, stakeholders do have an important role in constructing and applying pressure for changes in company/industry behaviour, which includes further engaging in CSR-related activities. However, I believe that, while a stakeholder perspective is an important element of what is changing in the industry, it is only an indication of objective result rather than an analytical framework.

Finding stakeholder theory insufficient as an analytical framework, I considered the suitability of institutional theory. According to Scott (2008, p. 48), “institutions are comprised of regulative, normative, and cultural-cognitive elements (pillars) that, together with associated activities and resources, provide stability and meaning to social life”. “Institutions as social construction, produced through meaningful interaction, are central to institutional theory” (Phillips & Malhotra, 2008, p. 713). They comprise the taken-for-granted behaviours that are mutually held and reinforced through interaction between institutional actors, and provide the necessary meaning to be self-reproducing; thereby, establishing and maintaining social order (Greenwood, Oliver, Sahlin & Suddaby, 2008).

On the surface, it would appear that many scholars have approached the study of institutions as a method of analysis to understand why companies within the same organizational field tend to become more similar over time, both in structure and practice (DiMaggio & Powell, 1983; Frynas, 2009). However, the scope of institutional theory goes far beyond a simplistic analysis of similarity by explaining how institutions are created, maintained, and changed, and the effect these have on the behaviours of companies. Specifically, institutional theory can be used to examine the micro and macro social constructions of meaning that constrain and enable access to and

understanding of strategic alternatives (Greenwood, et al., 2008; Scott, 2008; DiMaggio & Powell, 1991).

Encapsulating all of these elements is the institutional logic: “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999, p. 804). Furthermore, “the criterion for legitimacy is encoded within institutional logics. Therefore, legitimating an organizational form that does not fit a prevailing logic involves modifying or displacing that logic in order to establish new legitimacy criteria” (Suddaby & Greenwood, 2005, p. 36). Institutional theory, therefore, provides a strong foundation from which to understand the micro and macro workings of organizations as to why the institutionalization of new, prevailing logics and related practices and structures do or do not occur. Overall, I believe it is the most appropriate theoretical framework from which to analyze my substantive theory because, unlike stakeholder theory, it analyzes the journey or process of change more than it does the result and, importantly, there is a “social constructivist thread” running throughout (Phillips & Malhotra, 2008, p. 705).

In the following discussion, I will explain how I conceptualized the many facets of institutional theory as a framework to analyze the substantive theory emerging from my results. The purpose is to accurately articulate why and how CSR is evolving in the pharmaceutical industry using a theoretical framework that is comprehensive and aligns with my epistemological foundation. In the end, I am seeking to build an analysis using institutional theory that is progressive and loyal to my constructionist epistemology, thereby furthering the theoretical implications and clarity of both.

My discussion consists of four sections. The first is an examination of the two main environmental factors that led to the opportunity for institutional change regarding CSR: 1) the aggregate changes and challenges to the legitimacy and technical efficiency of the pharmaceutical industry, and 2) employees as conduits of institutional differences, both internally and externally. The second probes how institutional entrepreneurs and their resources have captured and framed an argument to promote and advocate for greater adoption of integrated CSR. The third analyzes how the transmission of the framed or theorized argument and other ideas regarding CSR occur

and how they are translated and edited if imitated. The fourth illustrates the ongoing process of institutionalization, featuring cognitive legitimacy of integrated CSR and how companies and employees are both unconsciously and consciously engaged in reinforcing and shaping its progress. Each of the four sections is intended to lay the foundation for the next as to build a social constructivist, comprehensive, and substantive portrait of institutional change that explains why and how CSR is evolving in the pharmaceutical industry and whether such changes are inevitable and stable.

### **5.1 Aggregate Changes and Challenges**

A 'battle of perceptions' regarding the actions and roles of pharmaceutical companies was detailed in the literature review (Section 2.3.2, p. 79). Roles are "conceptions of appropriate goals and activities for particular individuals or specified social positions" (Scott, 2008, p. 55), pieced together by society as judgments for previous and expected future industry actions, and the literature explained how external notions about the roles of the industry intertwine with prevailing arguments for expanded social responsibility. Juxtaposed internal and external interpretations of industry roles have fuelled conflicting perceptions of the appropriateness of company/industry behaviours. The epicenter of conflict and tension occurs in the duality of pharmaceutical companies as for-profit entities delivering healthcare.

Five areas of duality-related controversy—patents/innovation, product recalls, direct-to-consumer advertising/education, pricing, and drug access—illustrate how societal constructions of expected responsibilities are consciously or unconsciously neglected or avoided by companies. It is argued that such negligence is done in pursuit of growing financial returns over expected social responsibility (Saul, 2005)—an accusation that most respondents reject. Additionally, the broader societal push for CSR overlaps with industry specific social movements for transparent adoption and prioritization of responsibilities to the 'common good'. Negative externalities (implied by the five controversies) of companies involved in healthcare are more publicly pronounced (Leisinger, 2009), which increases the societal desire for action to remedy them. For example, the health necessity of pharmaceutical products are subject to the monopolistic powers of pharmaceutical companies to select and prioritize which

molecules are eventually commercialized—including a strong say in how they are priced, the quantity produced, which markets they are sold in, and how they will be marketed.

Negative externalities associated with these choices can broadly affect the health of individuals around the world.

Yeah, well the expectations of the public at large are changing. I mean there is less tolerance, I guess, for people who'd be perceived as having a negative influence or a negative impact. (Respondent 10)

Frederick (2008 p. 522-523) provides a conceptualization of CSR that unifies its broader societal constructions as well as those specific to the industry (e.g. integrated CSR):

CSR occurs when a business firm, through decisions and policies of its executive leaders, consciously and deliberately acts to enhance the social well-being of those lives affected by the firm's economic operations. In this way, CSR blends and harmonizes economic operations with a human community's social systems and institutions, creating an organic linkage of business and society. The goal of this relationship is to achieve a balance between the firm's economic operations and the society's aspirations and requirements for community welfare.

This definition of CSR action provides insight into its use for injecting and then harmonizing social/economic duality into business operations; a 'conscious' and 'deliberate' act to minimize negative externalities. It highlights the direction of a growing CSR discourse that theorizes potential of business/society symbiosis. Over time, if changes toward such a goal occur and remain stable, thereby becoming institutionally solidified, it should become an unconscious, taken-for-granted way to conduct business. However, the logic encapsulated in this discourse, which has been traditionally external to the industry, must contest and displace the currently dominant industry logics.

Frederick (2008) describes a conception of CSR as integrated with business strategy, which is a concept that should be a logical 'fit' in the pharmaceutical industry because, as respondents repeatedly stated, it is inextricably linked to the health and betterment of society by its very nature. Even with respondents and society showing overlap in their understanding of the industry's role, stated controversies display a difference in its interpretation. Even when nested within societal logics (Thornton & Ocasio, 2008), the industry's conception of CSR differs from those prominent in societal

discourse. The industry's tradition of passive reliance on the health benefits of the products they select to commercialize (IFPMA cited in Roche, 2007) contrasts with the more comprehensive and active integration of greater societal welfare that is advocated by societal actors. However, in isolation these exogenous pressures for evolution from expanded to integrated CSR are insufficient to cause the institutional change that is occurring.

Uncertainties relating explicitly to the technical efficiencies of companies within the organizational field appear to prompt greater receptivity to institutional pressures (Hardy & Maguire, 2008; Dacin, Goodstein, & Scott, 2002). "We see more and more pressure from healthcare financing, we see more and more pressure on our bottom line, and a pipeline that isn't producing" (Respondent 22). Changes in how companies in the pharmaceutical industry operate as a result of innovation difficulties, patent expiration, market changes (e.g. emerging market growth over Western markets), movement away from in-house production of pharmaceuticals, and socio-political sentiments involving regulation and healthcare costs combine together with social movements for increased and more comprehensive CSR in aggregate to place significant pressure on the traditionally dominant institutional logics of companies.

Interestingly, it seems that the industry has previously managed to distance or isolate similar institutional pressures, resulting in a relatively long period of stability. The repercussions of this isolation, however, are believed by respondents to be contributing to society's negative perceptions of the industry as a whole:

As you know for sure, the pharmaceutical industry, when you look at these kinds of surveys about reputation and trust, pharma is very close to the bottom, right above oil companies and tobacco companies, and I think a lot of it has been because we have been such a secretive industry. (Respondent 17)

The industry history of being perceived as secretive illustrates, first, the candidness of the respondent to acknowledge controversial past behaviours and, second, how being so secretive has negatively affected the industry's reputation. In addition, Respondent 17 identifies, quite succinctly, the link between the described aggregate pressures and the perceived role of the pharmaceutical industry as affecting its legitimacy within its social context.

Regarding legitimacy, there are three forms described by Suchman (1995):



pragmatic (based on interest), moral (based on evaluation), and cognitive (based on comprehensibility and taken-for-grantedness). The declining legitimacy of all three is represented by societal assumptions that the industry operates primarily in its own self-interest, which is in conflict with prevailing norms and values; all of which challenges the taken-for-grantedness of the industry's role in society.

As companies interact with the social world, legitimacy agents (e.g. regulators), mediators (e.g. media), and guidelines (e.g. rules, norms, and values) interact to construct individual and societal conceptions of legitimacy, as well as reputation (Deephouse & Suchman, 2008). Reputation, which has been exceedingly negative for the industry over the last 20 or so years "is a generalized expectation about a firm's future behaviour or performance based on collective perceptions (either direct or, more often, vicarious) of past behaviour or performance" (Deephouse & Suchman, 2008, p. 59).

As described in my results, perceptions of company and industry reputations have begun to influence technical efficiency. For example, there is a growing reliance on collaborations and partnerships to operate effectively in a globalized marketplace, and a positive reputation acts as a gateway to gain, maintain, or repair access to such relationships (similar to how legitimacy operates). I believe the following two quotes illustrate this link:

We see in many cases opportunities to grow and advance our business by partnering with non-governmental organizations and civil society organizations to offer new ways of working with patients that we may not have reached before, who can open new doors for us in working with local governments in countries around the world. (Respondent 18)

If we are irresponsible in the way we run our business, we will just increase the legislation and control around our business. Now, the pharmaceutical sector is highly regulated; we have regulations coming out of our ears—every step we take is regulated. So, it's in our interest to work in a way that keeps the regulation where it is and we don't have significant regulation around even more factors because we have behaved well. So, because increased regulation just increases the cost of business it is much better for us to do it in a voluntary way and behave responsibly and have all the other advantages of that. (Respondent 19)

The first quote (Respondent 18) explains the increasing importance and reliance

on relationships to effectively work with governments that have the ability to control regulations and their enforcement and the second (Respondent 19) explains how irresponsible action(s) can lead to further regulation, which negatively affects a company's technical efficiency. Furthermore, respondents explained the importance of accessing emerging markets, where societal actors express desires for greater social and medical contributions to the region rather than solely economic benefits.

The traditional logic associated with Western markets (primarily using an economic lens to assess value) (Bauman, 1998; Saul, 2005; Stiglitz, 2008), at least in this regard, appears to be not as prevalent in emerging markets. Respondents emphasized this point in discussions regarding governments in emerging markets. These governments have different perceptions of the responsibilities that pharmaceutical companies should adhere to if they want to operate in their market. As potential barriers to access, it would be an unacceptable consequence to bear since future market growth is seen as coming largely from the emerging markets:

They are interested in how are you contributing to India's economic development. So, there it was more about the taxes we pay, the amount of people we employ in India, the clinical trials we are conducting in India which is giving Indian doctors experience, and that's going to help us. I mean, we want to be a partner with the government of India not only because India is a purchaser of our products for their people but also because we need to have a good relationship; they're the ones who grant patents for our products, they approve our products obviously to even sell them in their country. (Respondent 17)

Respondent 17 explains how companies have to be aware of the condition of its relationship with governments in emerging markets such as India because of their regulatory abilities. By having a stronger, more connected relationship, which now involves the strategic use of CSR, companies can be perceived as a need in the country, possibly preventing future regulation or influencing other decisions (e.g. approval of products for sale). Furthermore, Saul (2005) discussed how markets such as India, China, and Brazil have broken from the strict neoliberal policies that have been so popular among Western nation-states by each adopting their only unique version of protectionist mixed with free market policies—arguably, a strategy that most nation-states follow, albeit to a lesser extent.

It should be noted, however, that the emerging markets described by

respondents are countries (e.g. India, China, Brazil) that feature a growing middle-class and have far greater capabilities to regulate the actions of TNCs than lesser-developed countries. Although there are CSR programs designated for lesser-developed countries, which includes transfer of knowledge and technology programs, the current regulatory ability of these governments is presumed to be lacking in comparison to Western and emerging markets (Dukes, 2006), which demonstrates that the regulatory avoidance specific to a country is not the singular reason to engage in regional CSR. Rather, globalization might have also globalized reputation, especially for TNCs (e.g. global backlash over pharmaceutical companies crackdown on patents in South Africa in 2001).

Overall, I believe the aggregate sum of the described institutional pressures from the external environment suggests an exogenous shock that is assisting in dislodging the prevailing logic, thereby providing the possibility of institutional change (Fligstein, 1987). However, the ability of employees to act as conduits across company and societal institutions and discourses, to effect change through conflict and contestation with existing institutional logics, plays a substantial and more endogenous role in institutional change.

#### 5.1.1 Role of Employees

I observe that the respondents were somewhat reflective regarding how they are portrayed by those external to the industry. They acknowledge and interpret growing external expectations of healthcare companies, or any company for that matter, to be more socially responsible.

I do believe that corporations and other major institutional players have an obligation to ensure that at the very least they are not harming their environment. And by environment, I am speaking of it in the macro sense. Ok? So, the physical environment and the communities in which they operate; more than that, to really be a catalyst for improving their surroundings. (Respondent 5)

As institutional conduits, employees in the pharmaceutical industry transfer their interpretation of ideas and meanings constructed in their interactions within the external social worlds into their companies, which can result in a somewhat porous institutional barrier. Employees not only interact to socially construct company institutions, but they

are also part of the same processes externally. Unless companies and employees operate in a vacuum, then it is reasonable to assume that strands of differing logics, some conflicting and containing ambiguities and contradictions, are pulled, consciously or unconsciously, into companies as employees attempt to make sense of multiple social worlds and logics within which they interact. The relative durability and dominance of organizational-based logics, therefore, affects the ascendance of contra logics (Suddaby & Greenwood, 2005, p. 39).

Respondents observed normative and cognitive differences in the younger generation of employees entering the workforce:

I think younger employees are looking at a number of things in companies before they make a decision to join. Corporate responsibility efforts are clearly one...I am not an expert certainly, but I think younger individuals have a stronger understanding and appreciation of environmental issues. I think they have an appreciation of value that goes beyond a paycheque; that is important. (Respondent 20)

Traditional conceptions of work and an employee's identity had changed to include a desire for a greater role in adding value to the common good. Dacin et al. (2002) highlights the institutionally disruptive potential of these and other new employees:

New members with backgrounds and experiences that differ from existing members bring different interpretive frameworks and social definitions of behaviour to the organization that act to diminish consensus and unquestioning adherence to taken-for-granted practices. (p. 47)

Although respondents can be conduits for external discourses regarding expectations, and thereby identify opportunities to address social needs, a translation and editing process highlight how their interpretations are conducted according to their institutional logic. Conceptualizing the role of CSR and how it applies to their organization occurs through the lens of their changing institutional logic:

Yes, well of course our key responsibility as an innovative pharmaceutical company is to conduct research to develop new medicines. That is what we do: that is our core business. This being said, however, we understand that you can't do that in a silo. We understand that we have to go beyond that and we have to have a responsibility to behave in a way, which will be responsible of course for the environment where we do business. (Respondent 10)

Overall, in isolation, I believe that these three factors—societal pressures on

legitimacy, changes in technical functioning, and employees as porous conduits across institutions—have a low probability of catalyzing institutional change. However, when aggregated, they interact to create a situation within the organizational field where companies and their employees face substantial uncertainty, and that this uncertainty results in the possibility of competing logics to become dominant, as part of a response to mitigate the perceived precipitous risks associated with such a situation.

## **5.2 Institutional Entrepreneurs – Framing and Mobilizing Resources**

The amplified institutional pressure due to the legitimacy/technical efficiency link has culminated in a climate within the organizational field that is susceptible to the agency of institutional entrepreneurs. “Institutional entrepreneurs are the agents that create new and modify old institutions because they have access to resources that support their self-interest” (DiMaggio, 1988 cited in Thornton & Ocasio, 2008, p. 115). They work to infuse new logics, including subsequent, self-reinforcing practices and structures, into the organizational field in an attempt to gain, maintain, and repair legitimacy (Wooten & Hoffman, 2008, p. 136). The opportunities for institutional entrepreneurs and acts of entrepreneurship (DiMaggio, 1988; Suddaby & Greenwood, 2005) to exist illustrate how the binding nature of institutions is, under some circumstances, permeable to change by those with the ability and resources to shape, promote, and drive it (Hardy & Maguire, 2008).

Within the pharmaceutical industry, the self-interest associated with the entrepreneurial framing of integrated CSR theorizations appears to be a mix of pragmatic idealism and financial acumen that is intended to reshape a business’s strategy by promoting mutual sustainability endogenously and exogenously. The following quotes from Respondent 19 depict how the modification of dominant logic to include integrated CSR, and, therefore, also the business strategies, needs to occur throughout the organizational field to repair pragmatic and moral legitimacy, which will solidify a societal perception of the industry as a taken-for-granted, global necessity:

We believe it’s in our interest that all pharmaceutical companies operate in a responsible way because we are interested in the reputation of the industry as a whole and people trusting the pharmaceutical sector. If you’ve got companies that are behaving in a way that are perceived to be irresponsible that reflects

badly on (Company C) as well, so we are not immune from the impact for how other companies are behaving.

If we want society to want to have a pharmaceutical industry, then we have to be seen as stepping up to the plate when there are global health crises, and so it's only right that an organization has the capacity to support, for example, some of the access to medicine activities that we support, should do that. So, we see it as part of our societal payback.

Using the opportunities for institutional change created by delegitimization (pragmatic, moral, and cognitive) (Hardy & Maguire, 2008), institutional entrepreneurs continue to frame and promote previously unforeseen alternatives (responses) as the logical and innovative solution to the maelstrom of pressures facing the industry. This process involves altering the criteria used to assess legitimacy that underpins the institutional logic by displacing the prevalence of the dominant logic, thereby making it open to change (Fligstein, 1997; Suddaby & Greenwood, 2005).

Based on the discussions I had with respondents, it became clear that one particular company fit the criteria of an institutional entrepreneur—as an actor attempting to reshape institutional logics, practices, and structures (Maguire, Hardy & Lawrence, 1990 cited in Wooten & Hoffman, 2008, p. 136). Respondent 19 represented a company with a distinct progression of integrating CSR into its core business strategy and vocal in advocating others to do the same—an institutional entrepreneur in form and function:

Now, within (Company C) it is pretty well integrated, so I am not busy doing corporate responsibility at the center. I think it's mainly out; it's happening in the business where it needs to be. But I think in other organizations where it's a bit less well embedded, I think over the years it will become more like the (Company C) approach.

The respondent explained that there was still room for further integration of CSR, but suggested that there was no need to continue pushing for CSR at the center of the organization; that it was sufficiently embedded into the company culture to a point that it was increasingly taken-for-granted.

Reinforcing my assertion that the company was an example of an institutional entrepreneur, multiple respondents from different companies explained CSR at their company relative to Company C. For example, Respondent 20 identified Company C

as an example of progressive CSR integration and strategy:

I think that there are organizations who are ahead of us in this work. I think (Company C) is an example of a company who is working well in the shared-value space. I think that their chief executive officer has been vocal on issues.

Respondent 20's remarks also provide insight into the effect that rhetorical strategies (e.g. effective use of language to communicate the benefits of shared-value or integrated CSR) (Suddaby and Greenwood, 2005) used by institutional entrepreneurs to build legitimacy and justify the necessity a change in logic at his company.

Furthermore, Respondents 16 and 13 identified Company C as having the financial "clout" and "voice" to promote the virtues of CSR integration. Many respondents agreed with the theorized discourse of CSR as creating sustainability through its integration. However, the level of integration, as evident from the CSR practices and structures within these companies, was noticeably trailing in comparison to Company C.

Respondents holding CSR-specific positions were especially vocal about an obvious logic for integration, which was probably inherent to how their positions necessitate closer proximity to various discourses involving CSR. The lack of integration as manifested in ongoing practices and structures of the same companies illustrates a contradiction or gap in logic between these employees and the companies for whom they work. At the same time, those with a greater cognitive belief in the usefulness of integration seem to act as micro-institutional entrepreneurs within their own companies, mobilizing resources and discourses to promote change internally (discussed further in Section 5.4.1, p. 282).

While ahead of other pharmaceutical companies, it is inaccurate to consider Company C as alone in conducting institutional entrepreneurial activities. Company C conducts its entrepreneurial activities in relation, purposely or not, to other actors interested in promoting mutually sustainable business strategies (e.g. social $\leftrightarrow$ economic and company $\leftrightarrow$ stakeholders). These groups act as resources, with societal and business interests, to further advocate the potential and viability of the institutionalization (Hardy & Macguire, 2008) of integrated CSR. Four groups of such actors identified by various respondents included: NGOs, governments, consultants, and industry associations.

The Gates Foundation and the Access to Medicines Index (ATMI) were two specific NGOs that have been actively framing and advocating for CSR integration as sustainable for all parties involved, thereby building pragmatic and moral legitimacy associated with its adoption.

And these are things that are reflective of the shared value, more sustainable approach. Places like Gates that we have talked about are eager for us to do this kind of work. The Access to Medicines Foundation, who produces the Access to Medicines Index, is interested and observant of us doing this kind of work. So, I think the time is right because there are organizations that are eager for us to do this. I feel an increasing feeling of eagerness internally to do this, and I am positioning the company to pilot some of these programs over the next year. (Respondent 20)

In addition, Respondent 21 stated that institutional actors do not always perceive the pressures exerted by such NGOs as positive. While the benchmarking capabilities of ATMI appear to inspire some respondents' understanding of CSR meaning within their institutional context, others distinguish it more by its soft-regulative properties (e.g. comparative ranking of product access strategies).

Governments have varying approaches to the promotion and regulation of CSR engagement. As detailed in the literature (Section 2.2.8, p. 72)—using Canada, Europe, and the US as comparative examples—some countries explicitly encourage corporate uptake of some CSR practices and structures (e.g. mandatory CSR reporting in European countries), while others restrict regulation to somewhat vague and sometimes contradictory promotional strategies (e.g. US and Canada).

When CSR is placed within a pharmaceutical context, however, it becomes more widely promoted because of global society's growing normative understanding that it is the 'right thing to do' (Leisinger, 2009). At the same time, how CSR should be conducted remains a matter of serious debate (Leisinger, 2009). For example, the combination of the recent recession, rising healthcare expenditures, and expansive regulatory hurdles relating to safety and ethical controversies are placing governments and pharmaceutical companies increasingly in an adversarial relationship. Such a relationship is socially constructing different conceptions of the industry's role: "It is very difficult to be in a world where you are seen as a cost and not necessarily as a solution. So, that is very challenging for industry right now, not just (Company D)" (Respondent



16). This is in contrast to the past, when it appears companies had greater behavioural leeway to operate without fear of being delegitimized:

We are an industry that in the past sometimes government relations has meant yelling at government and I think we are probably ahead of the curve when it comes to actually identifying the importance of creating solutions to share problems together. (Respondent 4)

Emerging markets and their governments play a significant role in bolstering the legitimacy and justification of CSR integration as a logical and viable alternative. These markets represent where most future sales growth will occur, and their governments are inquiring about CSR-related activities as 'payment' to legitimize company access to the market. At the minimum, this link provides significant weight to engage in integration as a sustainable risk management strategy—a business case for CSR.

Some respondents in CSR specific positions did discuss the use of consulting firms to educate and assist them regarding potential CSR strategies, including communications strategies (Sections 5.2.1, p. 258 and 5.4, p. 277). Consultants provided this service to individuals from a variety of industries. These CSR-focused workshops provided participating respondents access to a social arena where circulating ideas, practices, and structures are discussed, and thereby, influenced CSR perspectives. Unfortunately, the discussions regarding consulting firms did not go into detail about the relative influence it had on their company. However, the use of consulting firms in the first place suggests that some companies and employees required assistance to formulate their meaning and use of CSR at the company.

Industry associations were also discussed as encouraging member companies to adopt CSR structures and practices, but more as a method to repair pragmatic and moral legitimacy:

Our industry association for research based which is called Rx&D, I don't know if you have heard about them. They just started last year asking their member companies to start reporting on community investment (CSR). (Respondent 9)

But now corporate social responsibility is there partially, not fully but partially, to improve the perception of the industry, and that's why probably Rx&D is asking their members to report that. (Respondent 12)

In Canada, Rx&D is the brand name pharmaceutical industry's professional

association, and mainly focuses on advocacy for its member companies and their employees (Rx&D, 2011). Rx&D promotes the actions of brand name pharmaceutical companies and operates as a unifying force, when necessary, to challenge legislation that may affect companies. Similar associations also exist in Europe (European Federation of Pharmaceutical Industries and Associations) and the US (Pharmaceutical Research and Manufacturers of America), with the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) serving as the global representative for most pharmaceutical companies and national associations.

The Canadian Generic Pharmaceutical Association (CGPA) represents the manufacturers and distributors of generic pharmaceuticals in Canada. Similar to the brand name associations, the CGPA is an advocate for interests the companies it represents, which most notably includes promoting the cost effectiveness and medicinal equivalence of generic pharmaceuticals in comparison to those create by brand name companies. Additionally, it has a code of conduct for its members, but it does not explicitly promote practices associated with CSR (Canadian Generic Pharmaceutical Association, 2011).

On company websites, mention of industry associations' influence or involvement was mostly absent, with only one company commenting on their participation in a product access program promoted by PhRMA in the US. Other US affiliates of companies participated in this same program, but did not discuss its link to PhRMA.

Discussions about the role of brand name associations in CSR were limited to the promotion of CSR communication and reporting, and did not include its integration. However, the notion that part of the stated role of Rx&D is to challenge government legislations in some cases displays a paradox regarding its promotion of CSR: how can an organization challenge legislation, which is presumably made in the best interest of citizens, while also promoting aspects of CSR to member companies? Do they conceive CSR merely as a business tool, or is its historical role as political advocate conflicting with prevalent notions of CSR? Either way, I believe it represents an avenue for future research; as to determine CSR perspectives of professional associations and the role they play in the evolution of CSR within the industry.

As advocates of varying levels and types of institutional change, these four

groups of actors—NGOs, governments, consultants, and associations—represent relational resources for institutional entrepreneurs to align the commonalities in discourse to exploit contradictions in traditional logics (Fligstein, 1997; Suddaby & Greenwood, 2005) by specifically framing their theorizations to further the adoption of alternative logics. The potential institutionalization, and, therefore, cognitive legitimacy (Suchman, 1995; Greenwood, Suddaby, & Hinings, 2002; Suddaby & Greenwood, 2005) of such alternative logics is reinforced by the validation of growing moral and pragmatic legitimacy by way of explicit and implicit recognition from benchmarking, rankings, and partnerships and collaborations.

What remains unclear, however, is whether the one company example of an institutional entrepreneur mobilizes these groups as resources to effect change, or simply relies on them passively to help justify and legitimize institutionalization, or a combination of both. It is also unclear why and how Company C developed into an institutional entrepreneur? Were elements of their historical institution more aligned with conceptions of CSR and, therefore, more open and better able to identify to self-interested pathways of change? Regardless of the causal specifics of origin, the dynamics of interaction and reinforcement among actors assuming various entrepreneurial roles demonstrate a powerful motor to effect change in the industry's current institutional context.

### 5.2.1 Framing

A significant part of being a successful institutional entrepreneur includes building and maintaining legitimacy for the changes being promoted (Wooten & Hoffman, 2008), and the compounding challenges facing the industry provide an environment of uncertainty that can be leveraged to promote those changes. The risks and uncertainties regarding entrance into important emerging markets, the changing dynamics of production, ethical, economic, and legal crises, and changing societal movements are selectively framed as best addressed by the integration of CSR; the logical and best option for a successful, sustainable, and morally inclined industry future. Framing, as such, is a purposely designed schematic of interpretation (Scott, 2008) that is used—in this particular case by entrepreneurs—to create common

theorizations of meaning among actors in the organizational field by bridging the previous conflicted elements of the dual role of the pharmaceutical industry.

According to such framing, by being more socially responsible in every business action—thereby reshaping product, marketing, pricing, and distributions strategies to improve medical, economic, and social outcomes across global locales—*it will result in mutual sustainability for all parties involved*. Regardless of conceptions of the dual role, it should permeate individual and company pragmatic and moral motivations (economic and social) to garner the necessary ‘buy-in’ for institutionalization. Indeed, one respondent suggested that traditionally simplistic economic/management theories are no longer sustainable in the current business environment and that integrated CSR better prepares a company to more fluidly navigate and balance its economic and social aspirations:

I think in this day and age you can no longer just get by on just sort of shareholder value alone. I mean it’s just sort of the [Milton] Friedman theory versus the stakeholder theory, and there are too many influences that act on companies to think that the only duty of managers is to prioritize quarterly earnings at the expense of everything else. So, it’s [CSR] an integrated approach to running and operating company; it’s a sustainable approach to running a company cause at the end of the day every industry and every company has sort of a social life to operate, and government reinforces and establishes that through regulations and policies. And ensuring that you’re around as a company—not just in four quarters but in four years or forty years—is about actually thinking about that long-term perspective, and you can’t do that in an accurate and comprehensive way unless you’re looking at the broader world in which you operate. (Respondent 4)

As discussed previously, emerging markets represent the future markets of growth for the industry, but they also represent significant and interrelated disadvantages in comparison to Western markets: disproportionately higher levels of poverty, disease, and inadequate health infrastructure (Leisinger, 2009). Based on these factors, an important part of framing is the promotion of a trickle-up strategy based on creating benefits for the most disadvantaged sectors of the population, which will eventually bolster widespread economic capabilities by way of helping to build a healthier population. The socio-economic strategy is to generate sales revenue based more on volume, rather than price.

Well, yes, but it is not just about, you know, improved healthcare means

improved economic activity means, you know; it all goes around in a virtuous circle. But it is not just about that, it's about coming down and accepting that where the real business is in these markets is in the vast middle class population, rather than the wealthy upper class. Therefore, we should be pricing to enable sales in that sector of the market; accepting that margins might be lower but our increased volume of sales will compensate for that. (Respondent 19)

Overall, the changing dynamics of industry production (e.g. out-sourcing aspects of drug development and commercialization) in combination with pressures from the social movements constructed by crises originating within (e.g. patents, pricing, drug access, etc.) and outside (e.g. recessions, inequality, health and environmental crises, etc.) of the industry has increased the amount and awareness of reliance that companies and stakeholders have on each other. Whether it is for the sake of, for example, financial success, patient health, or the fiscal constraints of governments, collaborations and partnerships are viewed by respondents as providing opportunity to use CSR-reinforced relationships and close proximity to build pragmatic and moral legitimacy in order to gain stakeholder and societal trust, which I interpreted as cognitive legitimacy.

But the truth of the matter is that in this day and age what you really want to do is build relationships, and building relationships you do that through CSR activities really well. We partner a lot with all kinds of stakeholder groups. They benefit from the relationship and we benefit from the relationship as well because we share common objectives of ensuring that patients have access to medicines. So, it just makes sense for us to partner with a lot of charitable organizations. (Respondent 10)

CSR is being framed as a strategy that strengthens industry connectedness to stakeholders and operational locales. I believe it is taken as a given by many within the industry that such a level of connectedness is meant to grow and then maintain sustainable linkages in order to influence future social constructions of meaning regarding the industry's role in society, and to improve levels of legitimacy by partnering or collaborating with organizations that are more reputable (LaFrance & Lehmann, 2005). Respondent 10 provides a translation of such framing in the following quote:

Yeah, well the expectations of the public at large are changing. I mean people are, there's less tolerance, I guess, for people who'd be perceived as having a negative influence or a negative impact, and the traditional marketing/advertising is certainly not as effective as it use to be. So, it's about building relationships

now, and CSR is just the perfect mechanism to do this in a win-win fashion.

Since some traditional methods of manipulating external pragmatic legitimacy are no longer effective (e.g. failure of traditional marketing/advertising) in preventing the loss of moral legitimacy, companies are attempting to compensate to prevent distortion of their reputation and the subsequent loss of power and control (e.g. freedom of movement, patent protection, etc.) that might occur. It is a strategy that some have observed as a method to demonstrate that companies are committed to CSR policies (i.e. walk-the-talk), expedite entry in new markets (e.g. emerging markets), and create a relationship with governments that can affect the design, implementation, and enforcement of regulations (Bitzer & Glasbergen, 2010; Giovannucci and Ponte, 2005; Reed & Reed, 2009).

Over the course of this section on framing and institutional entrepreneurs, I used quotations from respondents not affiliated with the company that I classified as an institutional entrepreneur. Doing so demonstrates how the idea of integrated CSR, and how it is being framed, has spread across discourses throughout the organizational field. Although overall, most companies have yet to adjust their course completely in the direction of integration, CSR-designated employees theorize, carry, and spread ideas that advocate for such movement. Their comments, therefore, provide insight into their developing understanding of integration as the logical way to conduct business in their company/industry.

In summary, my interpretation of the framing interactively constructed by institutional entrepreneurs is that CSR integration is an approach to business that builds and maintains mutually sustainable relationships for the social and economic benefits of the parties involved. It is theorized as a justifiable solution to industry problems and concerns (Tolbert & Zucker, 1996) that can repair and maintain all three forms of legitimacy by addressing the plurality of concerns and expectations within the social context. Attainment of such legitimacy is proposed as morally and financially beneficial for companies—a win-win scenario. Simply making an argument that theorizes the benefits of integrating CSR, however, is not adequate to delegitimize aspects of existing institutions in favour of a previously unforeseen alternative. An institutional climate wrought with uncertainty presents foot holes to agentic actors, such as entrepreneurs,

to use in order to gather the necessary resources to plant and grow seeds of understanding within company institutional actors, thereby displacing or modifying dominant logics (Fligstein, 1997; Suddaby & Greenwood, 2005). Within companies, employees and, most importantly, leaders are continuing to construct meaning based on transmissions containing institutional pressures (internal and external threats to legitimacy) and the solutions and responses meant to mitigate these pressures. Therefore, it is important to understand the mechanisms contributing to the transmission of institutional materials.

### **5.3 Mechanisms of Transmission**

CSR perspectives (Figure 4.5, p. 185) is depicted as an upside-down pyramid to illustrate the evolution of company perspectives toward greater integration of CSR. It purposely contained arrows, some linear (similar to chevrons) and others that were divergent, to explain how the evolution of CSR is probable but not necessarily deterministic. My findings avoid previous conceptions of institutional isomorphism as exclusive to factors depicting why companies in an organizational field tend to become similar in practice and structure (DiMaggio & Powell, 1983). “Conformity is one response to isomorphic pressures, but not the only one, because institutional processes are themselves conflicted or because they combine with other forces to shape structure and action” (Scott, 2008, p. 153). This realization led me to the more recent focus on why heterogeneity exists across organizations in the same field, rather than homogeneity (Greenwood, et al., 2008; Boxenbaum & Jonsson, 2008). In addition, how isomorphic pressures are translated and edited to form imitations that feature variation in practice and structure, but motivated for a similar behavioural result (Sahlin & Wedlin, 2008; Djelic & Quack, 2008). The following section will examine the mechanisms of transmission that create isomorphic pressures for imitation, as well as how the pressures are translated and edited to fit differences between companies.

[Mechanisms of diffusion] are usefully considered as explaining motivation for adoption. Coercive isomorphism occurs because organizations are motivated to avoid sanctions available to organizations on which they are dependent. Normative isomorphism occurs because organizations are motivated to respect social obligations. And mimetic isomorphism occurs because organizations are motivated by their interpretation of others’

successful behaviours (Greenwood, et al., 2008 p. 7)

I use the term transmission instead of diffusion because the latter suggests the transfer of ideas, practices, and structures to passive recipients (Sahlin & Wedlin, 2008; Wooten & Hoffman, 2008). I found that companies are interactive with institutional pressures; therefore, it is not accurate to oversimplify this complexity by assuming change is passive, albeit some actors may be unreflective during the process of change. The process of institutional isomorphism is active and open to agency, and is better understood as a motivated process of imitation, which allows for the translating and editing of transmitted ideas, including practices and structures (discussed further in Section 5.3.1, p. 274).

Although the three mechanisms of transmission (coercive, normative, and mimetic) were observed in discussions with respondents, the underlying elements of each in their entirety were not present in every interview and corresponding websites. However, there was a large amount of repetition of each element, leading me to believe that even though a respondent did not comment on one, within their large globalized company, there is a high probability it does occur.

Notably, this section serves as a bridge between what has been discussed in the previous two sections. Institutional entrepreneurs' theorization and resulting framing of CSR as a justified solution/response to the various conflicts and challenges to company/industry legitimacy and technical efficiency has resonated with respondents' companies because of its relative synergy, resources, and circulation by the mechanisms of transmission. Potentially, the mechanisms of transmission represent a categorized framework of the points of interaction with circulating ideas, practices, and structures that contest and pressure for the modification of the traditional logic of company institutions.

The coercive mechanisms of transmission were the most explicitly communicated by respondents. Acting as hubs for public sentiment, governments in developed, developing, and emerging markets, each having their own perception of the role of the industry, were perceived by respondents as potential risks because of their ability to implement regulations and/or create barriers to market access. For example, the governments of emerging markets are explicitly telling companies to address the



medical, social, and economic problems of their lower economic classes if they wanted to operate within their market. Governments in developed markets, on the other hand, are facing a growing crisis of rising healthcare costs that is further complicated by the financial strain of the current global recession. Governments attempt to manage this situation while trying to be responsive to public sentiments regarding the industry as well. According to respondents, how governments process these factors and make subsequent decisions will affect their relationship, positively or negatively, with pharmaceutical companies. Relationships range from the more adversarial, where companies are perceived by governments as a cost to be cut, to the collaborative, where they work together to tackle complex problems, such as drug access.

Furthermore, the growing number of organizations that engage in CSR-related benchmarking represents a coercive form of soft regulation. Different forms of external CSR benchmarking that respondents discussed as areas of pride and competition included the Access to Medicines Index (ATMI), Sustainability Asset Management (SAM) group, Dow Jones Sustainability Index (DJSI), and FTSE4Good Index. Notably, the SAM group uses its corporate sustainability assessment tool to measure companies according social, economic, and environmental performance and provide that data to DJSI where it is used as inclusion/exclusion criteria, and also to other SRI persons or groups.

While ATMI is specific to the pharmaceutical industry, the others represent measures of differing CSR criteria (social and environmental performance), as well as financial performance, as an empirical method to inform investors, shareholders, stock exchanges, etc. about companies from a wide range of industries:

More recently, several indexes have emerged to rank and list companies according to socially and environmentally responsible investing criteria. The rationale for this “best in class” approach is to identify and reward the sustainability leaders in any given industry. (Robinson, Kleffner, & Bertels, 2011, p. 495)

Taken together, the results of studies looking at whether socially responsible companies actually perform better in the market have been positive (Doh, Howton, Howton & Siegel, 2010). For instance, studies have shown that firms listed on the DJSI have a sustained increase in share price (Robinson et al., 2011) and that investors

penalize (e.g. lowering of market value) larger firms with lower levels of corporate social performance (Lourenco, Brance, Curto & Eugenio, 2011). Therefore, there is a benefit to ranking higher on these benchmarking indices, and beyond the financial, the possibility of intangible benefits to relationships with stakeholders such as government and NGOs. However, the criteria, appropriateness of weighting, and substance and authenticity of the data and measures used by the DJSI, and others such as FTSE4Good Index, have been questioned: “The result is a jumble of largely meaningless rankings, allowing almost any company to boast that it meets some measure of social responsibility—and most do” (Porter & Kramer, 2006, p. 81).

Regardless of the substantive issues with such organizations, benchmarking is described as a coercive mechanism that, intentionally or not, places companies in competition with each other and as an external verification of whether they have achieved internally and externally created goals. Importantly, the competition and assessment place companies into the broader CSR context, where they are further exposed to many of the discourses similar to those captured in its theoretical framing by entrepreneurs. It encourages further CSR engagement as a way to avoid possible reputational loss and delegitimizing aspects of company behaviours in the minds of concerned investors, NGOs, governments, patients, etc.—even if the criteria for inclusion are relatively low and available for manipulation. For example, respondents detailing how it is fundamental that companies are authentic in their support of communicated objectives, goals, values etc. illustrated that engagement cannot be superficial and without substance, because employees will point out inconsistencies.

“Norms specify how things *should* be done and provide legitimate ways of pursuing valued ends” (Phillips & Malhotra, 2008, p. 710). The normative mechanisms creating isomorphic pressures appear to originate from the points of institutional overlap, where historically stable institutions of the industry face moral delegitimization due to both external and internal pressures regarding conceptions what is the ‘right thing to do’ in the context of competing and conflicting meanings of their dual role. The overlap represents the porous conduits in the institutional context that I discussed earlier; the meeting point of societal norms and values, with those embedded into existing company institutions. Employees have been shown to have attributes of both.

Personal and professional relations describe the observed normative mechanisms. Respondents routinely told stories about their experiences within professional and personal networks, and how those reinforced or altered their understood meanings of ‘the right thing to do’ as both a company and an individual.

Some of our efforts for access to medicine where we are selling products at not-for-profit pricing that may not be essential for the long-term survival of our business but it is the right thing to do and we have to look at what I can only describe as a contract with society. (Respondent 19)

Respondent 11 details the isomorphic pressures resulting from attempts to address normative expectations: “If we are all trying to do the right thing then we are all probably doing something similar, which is a good sign”. Congruent understanding of how the industry can engage in CSR to address normative expectations, according to the respondent, should lead to similar, though not necessarily identical, practices. I postulate that the formation of a congruent understanding of the ‘right’ types of CSR is happening through commonly experienced exposure and proximity to various societal institutions and discourses. Specifically, traditional and evolving CSR practices and structures, professional groups, participation on boards of not-for-profit organizations, and migration of talent between companies, are the prominent mechanisms of transmission for normative isomorphic pressures:

As we get into certain segments and pockets of society we will better understand some of the issues that are in those areas and perhaps realize that we have solutions to help address their needs. But unless you are touching those people you’d not ever know that. (Respondent 21)

Traditional and evolving CSR practices (Section 4.3, p. 184) provide opportunities for employees to gain proximity to societal institutions and discourses where many concerns and expectations of company and industry practices are forming. While companies control the option of company-related participation in such programs, exposure to and participation in societal institutions and discourses appear to turn employees into carriers of societal norms and values, transmitting them back into the company institution through their interactions with other employees:

So, I think it really plugs us in and grounds us because sitting here in the ivory tower of the corporate center one can kind of get immune to what’s going on around us, and that was the huge benefit for me, was just grounding me. And,

oh my gosh, just within a couple miles of this beautiful campus there are homeless people walking the street and what are we doing about that?  
(Respondent 22)

Respondents in CSR-specific positions discussed meeting and talking about CSR with consultants and others from other companies within and outside the organizational field that had similar job descriptions. Whether it is education on 'best practices' (Respondent 9) or getting together with CSR personnel from other pharmaceutical companies to push for a global reporting initiative (GRI) sector supplement (improves reporting and benchmarking capabilities through industry customization) (Respondent 16), socially constructed norms and values related to CSR are transmitted across companies as employees engage in, and contribute to, the ongoing formation of its discourse.

Similar to CSR practices, many employees, especially those at the manager and executives levels, participate on boards/committees of not-for-profit organizations:

I sit on the board there, and I'm sort of active on a number of volunteer committees. And for me, my sort of personal values reflect what I think at a corporate level as well: we have an obligation to give back. Right? (Respondent 5)

According to multiple respondents, participating on external boards has provided respondents with direct experiences of acting in an altruistic role with different institutions and actors than their own companies. I believe the resulting external perspective that is provided by such experience affects an employee's construction of the norms and values used to evaluate the moral legitimacy of behaviours, practices, and structures within their own company. Based on those evaluations they might identify contradictions in the dominant logic and use their influence through position and/or relation to other employees to pressure for institutional changes at their company.

The last element of personal and professional relations is the migration of talent among pharmaceutical companies. It was stated earlier that a younger generation of employees is associated with new norms and values, and they carry these with them when they join organizations. Older, more experienced generations of employees, on the other hand, bring conscious and unconscious understanding of the institutions from

one company to another when they migrate. Whether in a position of authority to effect change or not, migratory employees have the potential to be carriers of differing norms and values, which also includes other institutional elements (e.g. taken-for-granted assumptions). Respondent 12 provided an example of employment across three large pharmaceutical companies, each with similar sentiments regarding CSR: “I have worked in three companies now and all three strongly felt that it was our social responsibility to give back”.

The final mechanism of transmission is mimetic, which represents, as stated above, motivation from the interpretation of the successful practices and structures of others, as well as the opportunity and availability of theorizations and models necessary for imitation purposes. Personally, I do not believe that mimetic forces should be described as a process of duplication because it is not logical to make an exact duplication of a program or policy that was designed for an environment that has different features. Rather, it is the logical opportunity to translate and edit practices and structures perceived to be successful to create a customized imitation.

Building off the pragmatic legitimacy generated by addressing coercive mechanisms and constructing a perception of technical superiority (e.g. enhanced reputation or financial success), as well as the moral legitimacy created by better alignment with the normative expectations of stakeholders and society (Suchman, 1995), entrepreneurs and other successful actors transition the CSR theorizations encapsulated in their framing into models increasingly perceived as institutional imperatives (Strang & Meyer, 1993; see also Greenwood et al., 2002)

Understandably, Company C, viewed as successful by multiple respondents, including those who worked there, has implemented progressive and successful CSR strategies. Respondent (20) even said that their company is trying to adopt similar strategies for the integration of CSR—based partly on what they understand through observation of Company C.

Mimicry of CSR programs, however, is not isolated to those delivered by Company C. Some respondents, whether it was the result of direct observation, second-hand knowledge, or migratory experiences, were candid about their respect for the programs of companies other than Company C, and how they were planning to

introduce similar programs. For example:

I know (Company B) has a very solid employee-volunteering program where they take one day and they go work in the community for a day. We are trying to organize that for the first time this year. We are trying to develop that. Our competitors were ahead of us on this one. (Respondent 10)

Introducing the concept of cross-company observation brings up a number of contradictions that occurred during interviews. A few respondents routinely stated that their companies did not observe the CSR practices and structures of other companies, but most of those same respondents had either worked at multiple pharmaceutical companies, made references to benchmark rankings and/or criteria, or stated that their company was differentiated or a 'leader' in one or more aspects of CSR engagement. Most respondents identified CSR differentiation from their competitors as important, coupled with a desire to be perceived as a leader:

But apart from that we believe we can set ourselves apart by saying we have a global access to health strategy for all of our products, in every country in the world. And we are in the midst of developing that strategy, and it doesn't exist—no other pharma company has done that. So, we definitely think that we can differentiate ourselves through access to health and we will be positioning ourselves as a leader. (Respondent 17)

In addition, there was motivation for differentiation because of a perception that it would help companies be more successful in capturing the intrinsic benefits attributed to CSR engagement that are increasingly objectified during the process of transmission (Berger & Luckmann, 1967; Tolbert & Zucker, 1996) and legitimization (Suchman, 1995) by them and other actors:

We really think that differentiation of social responsibility and citizenship enables us to win customers, it enables us to attract and retain employees, and it enables us to form more collaborative and respectful relationships with a wide range of stakeholders including both the governments of countries where we do business and the civil-society, non-governmental organizations who are concerned with healthcare issues. (Respondent 18)

To differentiate or surpass the CSR strategies of other companies, respondents and their companies will be exposed to the transmissions of entrepreneurial framing, as well as other actors interacting in their social context. Mimicry of other companies in an attempt to be perceived as leader, therefore, does not mean simply copying but a more

complex process of translation and editing others' strategies perceived to be successful as a basis for customization, improvement, and, occasionally, innovation. It appears to be an evolutionary competition with conceptions of leadership used to project an image of success to build and maintain trust. "So, this is our corporate responsibility—to act as a leader, to convince people that we are a partner, that we should sit with them and build a program that will better manage the patient" (Respondent 15).

An example of mimicry that details some of the reasoning for customization comes from the identification of successful CSR practices outside the pharmaceutical industry. Many respondents brought up examples (e.g. Google, Toyota) of storied or publicized successes by TNCs from different industries to better explain how they relate broader conceptions of CSR to their companies and the industry. Respondents realized that these examples do not directly fit with how most pharmaceutical companies operate, but they do, based on my observation, add to the objectification of CSR as an institutional imperative:

I mean it might not be the supply chain in the purest sense, but for organizations like Starbucks and Nestle, their opportunity for shared value is early in the supply chain. It's at the producer, right? For us, our issue is at the end of the supply chain; it is the user. And because our programs are so much closer to the end user, we have to be even more thoughtful about how we develop programs in that trio of facts (business opportunities, assets and expertise, and social needs) that we have been talking about. And so, what we do will by definition look and feel different. Nestle, Starbucks their issues are at the beginning of the supply chain, our issue is at the end of the supply chain. (Respondent 20)

Even though the role and weighted influence of the three mechanisms of transmission and their respective institutional pillars (regulative, normative, cognitive) have been challenged throughout the modern institutional theory literature (Greenwood et al., 2008), I have observed an important role for the interdependent influence of each mechanism in building legitimacy for the theorizations making up entrepreneur framing. Doing so has led to greater objectification of CSR integration, thereby increasing its cognitive legitimacy, as a social reality or institutional imperative.

Whether or not the relevancy of all three mechanisms provides evidence of a three-pillar foundation to institutions, addressing that aspect of institutional theory specifically is not the purpose of this discussion. What I do propose is that there is a

substantive, dynamic relationship among the three mechanisms regarding CSR in the pharmaceutical industry. First, neither coercive nor normative mechanisms provide a framework as a response to the potential consequences of institutional conflicts and contestation, but they do add pressures for change—a source of opportunity for innovation by entrepreneurs. For example, there is fear that CSR engagement could become mandated through regulation; that, respondents explained, would lead to increased costs of doing business by requiring companies to conform to standards created without their contribution. Second, relational networks within and outside companies provide greater context for why there are regulatory threats through experiences constructed during close proximity to differing societal institutions and discourses. Finally, the mimetic mechanism is a cognitive process where the potential consequences (coercive), social context for obligations (normative) and the practices and structures of competitors (mimetic) converge and are translated through the lens the company's existing, albeit potentially changing, institutional logic. The result appears, in part, to be manifested imitations as the result of attempts to catch up or innovate further to capture and/or maintain legitimacy, until a point where institutionalization has occurred and integrated CSR becomes taken-for-granted.

Building off the framework of others who appear more successful and technically efficient—especially those considered institutional entrepreneurs—assists companies by providing a motivational foundation from which strategies of differentiation (leadership) continue to evolve. The following illustrates this process even more simplistically: coercive (a problem or a institutional contradiction with consequences) → normative (understanding the contextual roots of the problem) → mimetic (the evolving response as a solution to the problem). However, as institutional change occurs, there is room for the relationship to be iterative and far less linear or unilateral.

From this study, I observed that implementing new CSR practices and structures in turn leads to a closer proximity with societal institutions and discourses. Exposure to, and participation in, the social construction of regulations and norms in turn influences greater understanding of the plurality of institutions and the possible ambiguities and contradictions within and between them. Respondent 4 encapsulated this process:

I think at the end of the day we all realize that you operate in communities. You



live in communities, we have impact in communities, and I think if you feel that the operations of your business kind of stop and start at the front door you miss incredible opportunities, especially as the world becomes more collaborative; as working with cross-sectors and across silos is more and more important. And I also think that you're less in tune to risks as they come across the horizon, and you're going to become much more myopic and much less successful.

Furthermore, the role of institutional entrepreneurs in the industry is best understood as agents of change that captured the “precipitous jolts” (Greenwood et al., 2002, p. 60) that make available the possibility of institutional change, thereby identifying and using the contradictions within competing logics at an early state to frame a solution (i.e. innovation) that is in their own self-interest. In the case of CSR, however, self-interest is seen to align with society's best interest as well—a built in foundation of moral legitimacy. As framing became more prominent in the institutional discourse and more justified and legitimate, companies began to cobble a strategy together using selective understandings of mechanisms, historical experiences and other elements (values, norms, symbols, etc.) of existing institutions in a process of bricolage (Glynn, 2008) that has further contributed to the way CSR integration is framed and translated by actors. Bricolage is the process “where organizations incorporate cultural meanings, values, sentiments and rules into their identity claims”; therefore, “identities can thus be bricolaged or cobbled together from shared cultural elements and symbols and it is in this way that they can come to resemble each other” (Glynn, 2008, p. 424). As a result, the process of bricolage does not begin and end with entrepreneurs. The actors interacting in the institutional context translate and edit the information packets (ideas, which include, but are not limited to, practices and structures), framed or otherwise, which in turn alters them. Those alterations are transmitted back through the mechanisms to other actors, continuing the cycle of interaction that can change institutions.

### 5.3.1 A Process of Imitation: Ideas, Translation, and Editing

The discussion of transmission in the previous section underlines a critical component of institutional change: the circulation of ideas (Sahlin & Wedlin, 2008). Ideas encapsulated by language and models present opportunity for circulation through

the previously described mechanisms, but also in everyday interactions among employees. In the discourse communicated by respondents and websites, CSR is prominently represented by a variety of buzzwords that correlate with how it was framed: sustainability, win-win, innovation, walk-the-talk, leadership, integration, mind-set, and think-outside-the-box. Models take form as the CSR practices and structures are (re)produced through customization and/or innovation.

Providing insight into institutional change and the role of ideas, Sahlin and Wedlin (2008 p. 221) note four important factors: 1) ideas as triggering for institutional change; 2) ideas as impossible to pinpoint to their origin; 3) ideas as becoming more powerful as they circulate; and 4) some ideas as becoming popular not because of their properties, but, because of who transports them, how they are framed, and their timing.

I believe respondents try to make sense of the circulating CSR ideas by overlaying its framing onto their socially constructed worlds, which, according to Sahlin & Wedlin, 2008, consist of their interest, identities, resources and abilities. In addition, companies appear to be responsive to a growing number of circulating CSR ideas, as evident in changing perspectives, practices, and structures (Section 4.3, p. 184).

Objectifying the opportunities communicated in the circulating pressures and ideas, companies are increasingly justifying and legitimizing the framing of integrated CSR as a timely solution to an uncertain future, which highlights the growth in its discursive popularity. For example, companies appear to be interpreting seemingly new ideas that are circulating within their relational networks. Within those ideas can be various components of a logic, including values, norms, beliefs, experiences, decision-making rationale, etc. Using familiar components of their own institutional logic, respondents and their respective companies translate circulating ideas and then edit them to form imitative responses, if deemed necessary.

Furthermore, in the context of business, I believe the purpose of editing is to better the chances of being technically effective and efficient by aligning it with their own assets, expertise, business opportunities, and understanding of social needs and expectations. Respondent 20 depicts his company's translation process as it tries to implement a shared-value or integrated approach to CSR (acknowledged earlier in the interview as following in the footsteps of Company C):

Shared value really is that space where you have overlap of social need, business assets and expertise, and business opportunity. And when organizations like ours can identify those locations we really believe that we can have meaningful impact on individuals. We can produce a sustainable corporate responsibility model that could ultimately just blend into being part of the business.

Another important reason that the translation and editing process occurs is that each of the companies is a transnational corporation (TNC). They operate across the world in a diverse range of distinct social and institutional contexts (Djelic & Quack, 2008). Respondents acknowledged this both directly and indirectly during the interviews. They explained that companies have to adapt somewhat to each social and institutional context they operate within to ensure technical efficiency (e.g. emerging markets) and legitimacy. Using incomplete information to guide action might lead to improper, or conflict-inducing strategies. Therefore, interacting with, and purposely trying to understand, local regulations, norms, and taken-for-granted assumptions might cause varying cross-institutional transmission.

One manifestation of this adaptive process is the seemingly umbrella-like global CSR strategies of every company, and yet, how each is open to regional customization by subsidiaries (Section 4.4.4.1, p. 221). The global strategy is translated and edited according to the previously described process, and this process is repeated locally to address a more specific context. However, it is not strictly a global-to-local approach because numerous respondents described how locally constructed practices are adopted globally and require further editing to customize them accordingly.

To summarize, circulating ideas are similar to playing a game of telephone—transmissions are translated and then edited according to understandings of the prevailing institutional logic, including the possible contradictions that may dislodge or modify it, and the social context, thereby altering the original ideas. Therefore, further transmission can result in further alteration. However, the growing CSR discourse provides buzzwords/phrases as symbols of meaning, which, I believe, improves the clarity of framing for the translation of circulating ideas. Similar objectification of meaning can provide a wider circulation of language, models, values, etc. contained in the ideas promoting CSR integration as a legitimate and justified solution. Greater

circulation, appropriate timing, and legitimized framing continue to create isomorphic pressures to evolve CSR perspectives, practices, and structures toward its integration into the overall business strategy. Rather than fragmented and distorted results due to continuous alteration, framing has helped to stabilize an isomorphic stream through a common understanding of social reality that connects the ongoing institutionalization of integrated CSR at companies.

Nevertheless, in this institutional context the isomorphic pressures illustrate a scenario of institutional change that appears to be path dependent, or deterministic. However, the reinforcement and stability of the ongoing institutionalization of integrated CSR needs to be examined before that conclusion can be made.

#### **5.4 Institutionalization of Integrated CSR**

There has been an established history of CSR engagement by companies; but, upon reflection, I believe respondents perceived most of them as loosely coupled to core business functions. I avoid using the term decoupled because it denotes that such practices and structures have no point of attachment to the company; whereas loosely coupled insinuates minor, non-prioritized attachment (Palmer, Biggart & Dick, 2008). Simple philanthropy and volunteering represent loosely coupled CSR practices that could be considered acts that are more ceremonial, separate from core efficiencies, and done to gain or maintain legitimacy (Boxenbaum & Jonsson, 2008; Scott, 2008). Currently, an expanded use of CSR and its perspectives has become relatively common (Section 4.3.3, p. 190), and located in a position closer to the core and less on the periphery in comparison to traditional practices and structures. Based on the comments of respondents and their company websites, continuing to change the institutional logic in this context requires fostering cultural modification and an acceptance of shared meanings of CSR that snowballs using pathways of discourse in relational networks to become increasingly more taken-for-granted as the natural way to do things.

The process of institutionalization that I observed aligns with Berger and Luckmann's (1967) three phases in the construction of common meaning: externalization, objectification, and internalization. Externalization is a social construction of meaning that begins to be shared by actors. Objectification occurs when

a shared meaning takes on state of external reality as experienced commonly among others. Internalization is the process of retroactively injecting the external reality “into consciousness in the course of socialization” (p. 61). This process illustrates the ongoing social constructions highlighting the varying progress toward gaining cognitive legitimacy (internalization) of CSR integration. The staggering of progress and stability of change relates to how individuals, and therefore companies, move through this process, and if changes become institutionalized or just a temporary fad (Greenwood et al., 2002).

I believe these companies are using purposeful socialization to capture the growing objectification of CSR in order to internalize it into the prevailing logic because as this occurs it is being increasingly understood as an institutional imperative. Observed socialization strategies consist of manipulating two types of texts contributing to company discourses: symbols and relational networks. Symbols, such as values, encode the ideas being circulated into a form that will be decoded through theorization by other actors to construct meanings (Strang & Meyer, 1993; Scott, 2008). Relational networks are arenas of social interaction and discourse where companies become porous with employees, groups, and organizations creating conduits that carry institutional materials (Scott, 2008). The leaders of companies use both to reinforce preferred socialization as to promote the internalization of a changing institutional logic that they have come to identify as an institutional imperative.

Leadership by executives, and the company as a whole, are powerful platforms from which to use symbols to carry and transmit institutional materials. For example, respondents discussed how executives, especially CEOs, provide regulative, normative, and cognitive guidance on why and how the company engages in CSR and in what direction it is headed:

Ultimately, if you want corporate responsibility to be part of the fibre of the corporation it has to be appreciated, articulated, and reinforced by the senior leadership of the company because employees look to the senior leadership to define among all the options. What are the important things and how do I, as an employee, interpret what I am supposed to do day to day based upon what the company strategy is based upon what the executives are saying is important, and how do those things filter down to their direct supervision. (Respondent 20)

While employees carry ideas across institutional boundaries, they look to the

leadership (who are also carriers) of the company, in part, to filter alternatives and provide guidance. It seems to be a method of employees assuring themselves in some cases that what they are thinking and doing is legitimate within the organization and its institutional boundaries. I observed respondents constructing their personal meaning of CSR in relation to other employees and linking to the framing of ideas by leadership, present and past.

Respondents routinely cited examples of the leadership 'walking-the-talk' by not only communicating the importance of CSR to the business and society but also by engaging in it themselves:

We also have a great deal of personal involvement from our chairman and CEO in overseeing a number of our philanthropic programs; particularly in (location) where we have a lot of infrastructure building that we have done and partnerships with local governments. Our chairman/CEO has personally visited all of those sites and has been quite involved in the design and development. (Respondent 18)

In addition, CSR-related stories of previous leaders and founders of companies were recalled to establish historical precedence and authenticity—a temporal stream of cognitive legitimacy (internalization). Some stories are also intended to establish a perception of CSR leadership by the company, which acts as a symbol to carry and circulate a sense of pride while also providing historical context and legitimacy to changing meanings of CSR.

Yeah, well Company D historically speaking has definitely been at the forefront of CSR. I mean the (Drug Name) program that is something that started 20 years ago by the CEO at the time. You have to factor in the fact that nobody was giving drugs back then; it was completely a novel idea. (Respondent 10)

As explained in section 4.2.2 (p. 153), another important function of executive leadership was to articulate company values: to provide their meaning in the current context. The values have become symbols of meaning that provide not just normative but regulative and cognitive guidance for employees. They form a basis for what is considered the 'right' behaviours within the company culture—a basis for governance and decision-making for leaders and employees alike. Values are intended to construct similar meanings of what is right and what is wrong, to point, in some cases, where the taken-for-granted meanings symbolized by reinforced values unconsciously guide

employee decisions. The intended meaning of values, therefore, is also used as a symbolic framework of governance to control and assess employee behaviours.

So what we've done is set out our values, which are about (specific value set), and if people understand those values and what the expectations are around those values they can then use those to inform decision-making that may go outside the sort of strict rule set out in a policy. (Respondent 19)

This individual may be from the company considered an institutional entrepreneur, but the overall use of values as symbols to construct and carry meaning as well as a method of control and governance was evident in discussions with all of the respondents.

We have a set of four core values that are the foundation of our brand, and it's something that we have spent a lot of time training and educating our employees on. Those four values are [specific value set]. And we think that the citizenship strategy fits nicely into all of those buckets. (Respondent 18)

The dominance of rearticulating values, instead of changing the symbolic words/phrases, provides a historical bridge of legitimacy by preserving the recognizable face of those values.

Relational networks also provide both a source of reasoning for institutional change and a method to reinforce it. As explained in the mechanisms of transmission, employees come in contact with other institutions via a variety of interactional pathways, both prior to and during employment at their current company. At this point, leaders tend to implement or encourage access to specific relational networks that are providing exposure to, and experiences with, institutions and discourses that champion the institutional features they now envision for their own company. Isomorphic pressures emerge as companies become motivated to imitate successful behaviours, practices, and structures.

Relational networks and symbols can become mutually reinforcing toward a goal of desired institutionalization (internalization/cognitive legitimacy) by establishing internal and external legitimacy (pragmatic and moral). In this case, the ensuing alignment strengthens the possibility of stability in the institutionalization of a modified logic and its accompanying practices and structures that are self-replicating. Adding stability to institutionalization will increase the probability that it moves from being a

process into a stable state of internalized reality. Respondents and company websites provided ample evidence of this process of shaping the institutional discourse to better embed particular meanings, thereby promoting the institutionalization of a logic where CSR integration is taken-for-granted as the natural way to conduct business.

#### 5.4.1 Reinforcing and Shaping the Institutionalization of CSR

The preceding sections constructed an argument for *why* CSR is evolving and consequently changing institutions. The purpose of this section is to detail *how* companies, having already expanded CSR practices and structures, are controlling and shaping its continuing evolution in response to isomorphic pressures for integration.

Reinforcing symbols and relational networks using discourse, including internal and external rhetoric, represent attempts at controlling aspects of socialization; thereby, influencing how actors within the institutional context construct their understanding of the social world. Companies seek to gain and maintain legitimacy among employees and stakeholders alike through a combination of close proximity, communication, and measured examples to build ‘buy-in’ or ‘trust’ in a reputation that conforms to, or surpasses regulation and addresses normative sentiments of each group. The result is a snowballing institutional logic rooted in translations of the integrated CSR theories framed by entrepreneurs and other sources of societal discourse.

Companies used language to imbue symbols with desired meanings that should resonate with and align institutional actors; however, there are difficulties with such a strategy. With tens of thousands of employees at each company there is variance in how each subscribes to the institutional logic. Yet without this variance, the social order produced by an institution would likely create an ‘iron cage’ (DiMaggio & Powell, 1983), preventing institutional pressures and contradictions from gaining salience:

I think most people want to participate (in CSR programs) and want to give their time, and think it is a good thing. You always have a few naysayers, but I think in general everybody understands it's just the fabric of what (Company A) is, who we are and the kind of the attitude that everybody brings to their day job.  
(Respondent 22)

As detailed earlier, mounting conflict and contestation can contribute to the delegitimizing of company behaviours, thereby destabilizing the logic and opening up



opportunities for change:

Yeah, I mean we've been compared to tobacco companies and we've been accused of a lot of different things. I think it's created a lot of soul searching in the company as to how did this happen and what can we do to change it?  
(Respondent 6)

A situation such as this serves as a destabilizing distraction to the company culture, and might disrupt social order as well as affect technical efficiency. However, it also serves as opportunity to realign the culture through the application of rhetorical strategies using framing and supportive historical sources to somewhat control the internal and external processes of socialization through "interest-laden discourse" (Suddaby & Greenwood, 2005, p. 40).

Predictably, the dominant umbrella for rhetorical strategies used by pharmaceutical companies revolves around the use of language to build and maintain trust; especially, trust in companies as living up to expected roles within healthcare and society. Buzzwords/phrases, as exemplarily symbols of the rhetorical strategies, such as authenticity, transparency, walk-the-talk, sustainability, innovation, commitment, collaboration, partnership, and leadership, are commonly used to build an aura of trust around company intentions and behaviours. Websites (regardless of the level of specific CSR content) and CSR reports were laced with imagery of health and happiness, featured the repetitive use of buzzwords, usually accompanied by measured supporting evidence (e.g. simple quantitative measurements, employee and stakeholder testimonials), and other related phrases regarding company commitments to achieving general (e.g. healthcare) and specific (e.g. lowering the rates of one disease) goals, to construct and communicate the role and intentions of companies (e.g. we are this, so we do this). Injection of these phrases into the institutional context appears to be intended to display that companies are addressing the interests of stakeholders (pragmatic legitimacy), while providing evidence for evaluation that they are doing the right thing (moral legitimacy).

The use of historical referencing represents an important rhetorical strategy used by respondents and their company websites. It reflects Blomback and Brunninge's (2009, p. 413-414) seven proposals regarding the role of its usage in the construction of corporate identity:

- 1) References to corporate history in marketing communications affect corporate brand image among external audiences.
- 2) References to events and/or people in the corporation's past strengthen the recognition of a company's uniqueness.
- 3) References to history are a means to leverage on age.
- 4) References to company history in corporate communications affect conceptions of the firm's identity held among internal audiences.
- 5) References to company history create stability along historical development lines that can turn into inertia when external changes create a need for change in the firm.
- 6) Change in firm becomes more likely when owners and managers selectively draw upon historical events that legitimize ideas for change
- 7) Change is more likely in forms where owners and managers are able to infuse historical events and labels with new meanings.

Respondents routinely used historical references relevant to proposals 3-7 to communicate how they perceive their company and its actions. When the external pressures, taken together, were sufficient to create a need and availability for change, companies and employees used historical references for legitimacy purposes by making it appear to be "a natural extension of the company's existing core mission" (Respondent 22). Rearticulating historical references and events such as values, products, and services by linking them to growing conceptions of CSR serves to establish the institutional legitimacy of each. For example, respondents providing stories of a value-laden past made manifest in CSR achievements and leadership illustrates an important component of how employees legitimize institutional change by retroactively constructing it (similar to that of internalization). I believe this is done, in part, to avoid the need to acknowledge aspects of previous institutions no longer considered legitimate by some (e.g. social movements) by constructing an image of change as a natural expansion or modification of previous behaviours, while also overcoming the impact to employee morale from ethical and legal controversies. If employees are somewhat bound by their institutional logic as they seek to make sense of the growing conflict and contestation against it, then it seems reasonable and effective to promote a previously unforeseen alternative as understandable using historical reflection.

In addition, historical references are interwoven throughout websites in a similar manner to those discussed by respondents. These references can be further explained

by proposals 1-4 (Blomback & Brunninge, 2009, p. 413-414). Companies actively sought to construct a corporate identity with internal and external audiences as a leader in addressing relevant concerns and expectations (e.g. expanding conceptions of responsibilities), and how its historical actions and behaviours, including age, contribute to its continuing commitment to CSR engagement.

Therefore, to bridge the perceived requirements of building and maintaining pragmatic and moral legitimacy, companies use websites as platforms for rhetorical strategies to construct and reinforce an interpreted identity and the roles associated with it. Importantly, companies used four psychological attributes—personnel, anthropomorphism, ordinary language, and visual identity—to construct its communicated identity (Bromley, 2001, p. 317-319). While Bromley described these attributes as how people construct their impressions of companies, I observed companies using these attributes in an attempt, or possibly instinctually, to better resonate constructed company identities with internal and external audiences. First, on websites and in CSR reports, each company was discussed using the term ‘we’, the first-person, plural personal pronoun. This term frames companies more as social-cultural, or human-based organizations that are shaped and driven by its collective individuals, thereby creating a social connection for stakeholders and other external audiences to better relate to the company.

Second, companies are described using human attributes (e.g. being driven, good, caring, and committed), even though each is a non-human entity. It is unknown if pharmaceutical companies use of this communicative framing has always been the norm, but in the current business environment it likely serves to humanize company identities, while also reinforcing collective notions associated with the previous attribute.

Third, the language throughout websites is non-technical, simple, and focuses more on social and psychological factors. The language is obviously intended to reach a broad audience that has various levels of education and experience with corporate terminology. Brief explanations of social needs, company responses, and outcomes as well as company values, morals, and codes of conduct are just a few examples of how the social and psychological elements of the company identities were communicated. For example, after selecting a subject heading (e.g. corporate social responsibilities), it

is discussed briefly to build a case for why and how something such as the local community is supported. Then, bullet points are used to highlight specific examples and measurements of its commitment to that area, which commonly includes the option to read more on the topic by accessing a link on the webpage.

Fourth, the visual identity of each company was deeply rooted in the health component of their dual role. As stated earlier, websites were laced with healthcare imagery, which included emphasizing the overall mission or vision of the organization as well as support for statements, events, and people detailed. For example, pictures of patients combined with a narrative that describes their experiences, needs and/or achievements, reinforce the 'health' and 'care' elements of company identities. Furthermore, to add a personal 'feel' to the legitimacy of what companies are doing, stories based on employee involvement in a socially responsible behaviour were routinely used. Notably, stories were not restricted to employee engagement in company-created programs, but included charitable work outside of the company during personal hours.

Correspondingly, such rhetorical strategies correlate with the framing of integrated CSR. For example, the following are coded examples from websites and CSR reports of commonly used rhetorical phrasing within the industry:

- Commitment to health of patients and communities;
- Commitment to culture of strong ethics and values;
- External verification (benchmarks) as evidence of commitment;
- Historical references to commitment;
- Transparency to build trust;
- Importance of collaborations and partnerships with various organizations;
- Sustainability in environmental, social, and economic areas;
- Strive for innovation;
- Understanding of social expectations through stakeholder engagement;
- Changing industry (e.g. drug development, emerging markets, etc.)
- Reinforced culture of values that reflects societal expectations; and
- Evidence of walk-the-talk using social need—response—outcome formula.

Despite the common rhetoric, there is not complete homogeneity in imitations, and companies progress at different speeds and directions through institutional change (see Section 4.3, p. 184), and so differences in communicated discourse invariably exist among companies. For example, the relational flow of information across each section

within websites did vary across companies and regions, with the global/US websites having better flow and greater amounts of information overlap than the Canadian affiliates. Furthermore, the Canadian affiliates routinely had far less CSR content than their counterparts in the US. Notably, multiple respondents involved directly in CSR at Canadian affiliates stated that they are in process of aligning their communications more with their global or US websites.

The similarities noted above, however, express a mutual understanding of the features institutional entrepreneurs used to frame integrated CSR. The websites and CSR reports from companies or affiliates with more traditional CSR strategies had little or no usage of the above examples. I believe that is because the integration of CSR is far less discussed and theorized by employees, especially leadership. The result is they do not understand they have yet to subscribe to the dominant framing and, therefore, have not imitated the associated rhetorical strategies, albeit imagery of healthcare participation was present regardless of the level of CSR engagement.

Analyzing responses by the respondents and company websites/reports does display, however, a progression of understanding that takes the fragmented strategies used to address the above areas of rhetoric and synchronizes them by shifting the overall business strategy. Rhetoric first builds legitimacy in the minds of employees and stakeholders for each fragment. These are then leveraged together as a framework for further institutionalization toward internalization of integration—a guided process of change that uses reinforcement of established legitimacy to promote it as logical and viable.

The external use of rhetorical strategies with websites also provides a basis of judgement for employees. Respondents described walk-the-talk as the main method of evaluation to judge the substance of the rhetoric being communicated. Straddling internal and external elements of institutions, respondents believed employees were the best judges of whether the company and leadership were actually doing what they said they would.

You completely undermine trust with your workforce if you don't walk-the-talk. Employees will spot very quickly a gap in the external rhetoric and what we are actually doing internally. (Respondent 19)

To reinforce their rhetorical strategies, companies use guiding values, hiring practices, and relational networks in an attempt to saturate commonality of meaning across the workforce. This process appears to cause the snowballing effect with employees increasingly sharing in the mutual construction and, therefore, internalization of meaning. The resulting self-replicating behaviours manifest the walk aspect of walk-the-talk. Eventually, employees may come to perceive CSR as the way to conduct business, eventually turning them into reinforcing ambassadors of this logic:

I mean our employees need to be aware of what we are doing and we want them to be our ambassadors. And most companies will do that, and not only that, if you're an employee, think about it, if you're an employee of a company that believes in corporate social responsibility wouldn't you want to work for them. (Respondent 16)

Values and their alteration have been already detailed in section 4.2.2 (p. 153), highlighting how they can be used to govern behaviour but also retroactively construct legitimacy. Respondents and websites alike discuss the importance of values, how they relate to the company/industry's role in society, and how it is necessary to educate and evaluate employees on them. Values in this scenario are more than just a normative construct, and include understanding of regulative boundaries and rationale for decision-making—an outline for the institutional logic. However, this observation is with regard to the current glimpse of the pharmaceutical industry and, therefore, may not translate retroactively. The use of values as symbolic vehicles to generate and reinforce legitimacy and the rationale for change as a natural extension of historic practices and structures could be a new method to reduce conflict and re-solidify social order.

Hiring practices are used as a method to enhance what values are attempting to achieve: consensus for, and alignment with, a changing logic. Some respondents (4,5, and 12) were hired, in part, because of their social advocacy backgrounds, and other respondents talked about executives at their companies having similar experiences/histories. Furthermore, placing these individuals in positions where they are charged with 'championing' CSR at the company provides them with the opportunity to introduce and monitor conceptions of, and participation in, CSR. In addition, the younger generation of employees, as explained by respondents, want a workplace that

is aligned with their values, including a desire to engage in CSR practices. Current hiring practices appear to be a method to inject CSR-minded individuals into the culture of the company. Such hiring practices not only reflect Dacin's (2002) assertion that new members can weaken the adherence to dominant logics, but also that in a period of institutional contest they can affect the result of the institutionalization process by promoting certain discourses over others.

Relational networks are used to encourage participation in CSR-related activities and exposure to discussions relating to the experiences of others. Instead of reducing access to networks that can cause exposure to elements of different institutions, companies promote access to certain ones that are understood as reinforcing the institutional direction that company leaders are seeking. Beyond hiring practices, those without CSR-related backgrounds are provided with the opportunity to construct their own experiences in social arenas that consist of others engaging in the same activities. Volunteering locally and globally, helping to select targets of philanthropy, and lending expertise to assist in building health infrastructure in developing and emerging markets are a few examples of the CSR practices in which employees are encouraged to participate. This is an example of the purposeful socialization of common meaning among individuals. For example, respondents discussed the personal gratification and professional importance of volunteering to serve on the boards/committees of non-profit organizations.

To foster reflection, reduce the degradation of the experience, and share experiences, most companies have created global intranet sites. Some also built chat rooms and other electronic venues (arenas of discourse) to post stories and discuss their CSR-related experiences within those sites. It is a process of sustaining and sharing socially constructed experiences and meanings, and, in this particular case, those experiences and meanings appear to reinforce the goals of company leaders; goals that are increasingly aligned with the framing of integrated CSR.

Overall, what could have been perceived previously as sources of conflict and contestation for company institutions, is now being embraced as a source to gain, maintain or repair legitimacy (pragmatic, moral, and cognitive), and as a bridge to external information that will keep companies prepared and competitive:

I mean corporations are increasingly facing more cynical stakeholders and from socially responsible investor groups. I mean at a global level because I know that globally we have consultation with stakeholders. But if you think of some of the debacles of the last decade or so with corporate greed front and center, and even in the US there are always stories about ethical or lack of ethical promotional practices. So, I would certainly say that that has been one of the drivers externally, but I think parallel to that there's sort of the recognition that really to ensure long-term success you have to meet the needs of a variety of stakeholders. (Respondent 5)

Instead of maintaining barriers, companies are reinforcing a greater external presence because they believe it will provide them with an aligned and motivated workforce and the external linkages or sense of connectedness to sources seen as important to future success. As a result, companies hire, educate, encourage, and promote opportunities to employees to bring stability and unity around the changing institutional logic prioritized as the most critical to attaining their goals.

## **5.5 Summary of Discussion**

In my discussion, I sought to rearticulate my substantive theory according to institutional theory. Wading through the changing and contested waters of institutional theory provided me the necessary insight to understand how my theory articulated its more socially constructive elements. I explained how employees and companies construct their identities, the roles they attribute to themselves and others, and how their socially constructed realities relate to frames and other actors with which they are interacting. Moreover, I explained how this process translates into the evolution of institutions:

In other words, institutions arise when groups of people come to understand some activity in a certain way and that understanding becomes shared across a group. From their perspective, institutions are cognitive constructions and the process of institutionalization is a process of social construction. (Phillips & Malhotra, 2008 p. 706)

By applying institutional theory, my social context became the institutional context in which concerns and expectations, and subsequent influences, of stakeholders are translated into institutional pressures. Beyond reputation and license to operate, legitimacy and delegitimacy in three forms—pragmatic, moral, and cognitive—provides



context of effect for such pressures. Combined with wider societal movements and changes to technical strategies and efficiencies, uncertainty created the opportunity to expose contradictions or failures in the prevailing logic, which, in turn, were leveraged to modify those logics and, consequently, practices and structures within the industry. Institutional entrepreneurs captured a stream of consciousness through identifying such contradictions and failures, and the resulting framing of their innovative theorizations was evident in the observed evolution of CSR perspectives (logics). Mechanisms of transmission (coercive, normative, and mimetic) created carriers of circulating ideas and meanings of CSR, thereby increasing the legitimacy (pragmatic and moral) and justification of its further engagement. As companies developed common meanings, reflected in similarly evolving perspectives, they attempted to reinforce the growing cognitive legitimacy of CSR through the purposeful promotion of its related and preferred discourses. As this process occurred, the circulating ideas of CSR legitimized the framing of CSR as integrated or a philosophy (logic) for how business should be conducted, thereby traditionally loosely coupled practices were, and continue to be, altered in response to, and the reinforcement of, the institutionalization of a modified logic.

The evolving role of CSR in the pharmaceutical industry is tied to the preceding and concurrent socialization of common meanings regarding the purpose and understanding of CSR. It is no longer just a pragmatic/moral strategy to gain, maintain, and repair legitimacy, albeit superficially, using loosely coupled practices and structures. Reinforcement through discourse of logical connections and framing has constructed its identity as an umbrella business strategy that can universally resonate and create greater connectedness with operational locals through customization. Subsequently, it can be used to mitigate risks and uncertainties, and foster a motivated and controlled workforce by reinforcing the internalization of desired meanings relating to the role of CSR. By integrating societal conceptions of what is right and how to serve the self-interest of others in addition to their own, companies capture wider social movements in an attempt to find or construct opportunities to enhance the potential for long-term success. If those opportunities mean diverting assets and expertise to address social needs, and, in doing so, result in tangible (e.g. market entrance) and intangible (e.g.

motivated workforce) returns on these investments, then *it will be done*, and eventually it could become a taken-for-granted way to conduct business.

## 6. CONCLUSION

In the introduction of my thesis, I presented the following quotation as a progressive definition of CSR:

CSR blends and harmonizes economic operations with human community's social systems and institutions, creating an organic linkage between business and society. The end goal of this relationship is to achieve a balance between the firm's economic operations and the society's aspirations and requirements for community welfare. (Frederick, 2008, p. 523)

I selected this definition because it aligns with notions of an interdependent relationship among business, government, and the common good that have been proposed by philosophers such as Aristotle and economists such as Adam Smith (also regarded as a philosopher), Joseph Stiglitz, and George Soros, and social commentators/theorists such as John Saul, and Zygmunt Bauman. Notably, the socio-economic theories of the latter four focused on the critiques they have made while observing the actual effects of the current form of globalization:

We define globalization as the process of intensification of cross-area and cross-border social relations between actors from very distant locations, and of growing transnational interdependence of economic and social activities. (Scherer and Palazzo, 2008, p. 415)

Placing the definition of CSR into the context of globalization—which includes growing concerns regarding inequity, market failures, and externalities—it appears to balance out and harmonize the relationship between business and society by emphasizing flexibility, reflexivity, and responsiveness to contextual pluralities.

Although this relationship appears to be symbiotic, it is only one perspective of CSR and how it relates to the functioning of society. For example, some ways the perspectives of CSR have been theorized include examining the various forms of business cases justifying its engagement (Kurucz et al., 2008), if and why companies engage in it implicitly and/or explicitly (Matten & Moon, 2008), and which generations of CSR and the complementary codes of ethics are supported in company communications (Stohl, Stohl & Popova, 2009). Furthermore, perspectives are a reflection of the range of notions regarding how companies relate to the functioning of society, which includes the previously described role of, and relationship among, business, government, and the common good.

The dual role of pharmaceutical companies as for-profit health care producers and providers have been contextualized and interpreted by groups and individuals within and outside companies, resulting in conflict and contestation. According to the literature, ethical and legal controversies involving the actions and behaviours of companies have led to degradation of reputation, which is further declining due to continuing and compounding controversies. It has become clear that society interprets a role for pharmaceutical companies with greater responsibility to the common good than what has been interpreted by observing their recent actions and behaviours (e.g. fines, lawsuits, off-label marketing, etc.).

Interviews with employees of pharmaceutical companies and the examination of their company websites and CSR reports provided the internal perspective that was missing in the literature. Summarizing my results, I created a multi-narrative theory that constructs the reasoning for why and how the industry engages in CSR. It features evolving CSR perspectives (traditional, expanding, and integrated), what forces are driving change (stakeholders) and from where (social context), how changes become reinforced and normalized (CDRP), and how it all relates to changing notions of business/society relationship (symbiotic continuum).

To enhance the substantive theory, I re-analyzed it using institutional theory. The results of which included greater understanding of the aggregate pressures on dominant institutions to change; how contradictions and failures in logics are leveraged for change by entrepreneurs; how the subsequent framing and actors actively and passively shape and promote changes; how justified and legitimized changes are transmitted and imitated; and, how the whole process leads toward institutionalization by using discourse as a method to reinforce the probability of attaining and stabilizing its cognitive legitimacy.

Overall, it was observed that the taken-for-grantedness of traditional business structures (e.g. industry secretiveness) and methods of conducting business (e.g. universal pricing of products) have been publicly contested as irresponsible and even harmful in some instances (e.g. legal battles involving patents for HIV/AIDS drugs in South Africa). Internal and external contestation of, and conflict with, established institutions and associated logics of pharmaceutical companies has gained traction to

instigate change. As a result, companies appear to be in transition regarding their perspective of their role(s) within a globalized business environment (e.g. transnational interdependency and pluralities) and a rapidly changing industry (e.g. patent expiration, innovation pipeline issues, and shifting market dynamics).

One of the main ways changes in perspective and, therefore, institutional logics, are reflected and reproducible is in CSR practices and policies of companies, which currently appears to be increasingly directed toward merging notions of CSR with both the local and global strategies of companies. Companies are evolving, or changing, from a perspective that was can be considered more neo-liberal and equates the inherent good of their products (medicines), operating in their own self-interest, and obeying the laws and regulations of the nation-states as natural and sufficiently responsible, to ones that better understand the globalized socio-political and economic environment and the growing conceptions of greater responsibilities attributed to TNCs that operate within it. As this process occurs, CSR strategies are developed on a global scale, while also retaining local customization. Furthermore, the changes in types of programs reflects a paradigmatic shift relating to notions of business sustainability, leadership, communication, transparency, and, therefore, the determinants of legitimacy. Consequently, at the furthest point of evolution that I observed (i.e. integrated), the traditional paradigm of CSR—featuring an economic view of companies and an instrumentality view of CSR programs and policies (Scherer & Palazzo, 2008)—was fading and being replaced by a more socio-economic viewpoint of CSR as the lens through which to develop strategies.

The existence of institutional change and its relative uncertainty both come from a similar source: the pluralism existing within the institutional context. “Institutional pluralism is the situation faced by an organization that operates within multiple institutional spheres” (Kraatz & Block, 2008, p. 243). Even though the contextual pluralism was previously observed as a reason for ceremonial or loosely coupled strategies (Greenwood et al., 2008), in the case of the pharmaceutical industry, it now provides not only an opportunity for a comprehensive strategy but significant challenges for its success and stability.

Operating as a TNC in a globalized world exposes companies to a range of

institutional contexts (Djelic & Quack, 2008), with which their own company must interact. So, how do companies hope to achieve legitimacy in each context? They have adopted diverse strategies to minimize the difficulties associated with contextual pluralities (Kraatz & Block, 2008). Global CSR strategies with local customization compartmentalize operational pluralities, not only to demonstrate some level of institutional alignment (legitimacy for social fitness), but as a method to understand local dynamics for opportunistic purposes. What is interesting about this entire process is that as companies respond to forces and the institutional pluralities that are challenging their legitimacy, a process of evolution ensues—including subsequent transmission and reinforcement (e.g. historical referencing, rhetorical strategies)—whereby successful programs and policies are imitated and sometimes further innovated. However, what appears to be a somewhat purposeful side effect of this process is the absorption, and subsequent promotion, of societal notions of responsibility and interdependency into the contesting logics. Much of the reinforcement during institutionalization, therefore, is necessary to build and maintain pragmatic and moral legitimacy in order to support cognitive legitimacy, thereby mitigating the conflict and contestation that originally instigated the possibility of change. By doing so in relation to influential actors (e.g. stakeholders, entrepreneurs, and other companies) and in a competitive context that places importance on being leaders, there appears to have created a race-to-the-top (e.g. reputational legitimacy) in the industry that requires strategic changes (e.g. CSR programs and policies), which necessitates paradigmatic modification of logics (e.g. traditional to expanded to integrated) that retain some historical elements.

While it appears that this is a somewhat deterministic path toward integrated CSR, the limitations of my study prevented me from making that broad assertion with great confidence. First, what I examined in my study was a moment in the institutional change occurring in the pharmaceutical industry. It did not predate the change, nor is it a point where institutionalization has stabilized into a solidified state. Based on interviews and websites alone, I cannot precisely predict the future stability of the path toward integration. I added the possibility of divergence in my substantive theory, and the same applies to my discussion because institutions appear to be in a state of flux as modifications are contested. Disruptions (e.g. global economic depression, financial

and regulatory difficulties for companies, failed attempts at CSR, etc.) could eliminate progress and cause logics to revert to previously stable ones. Furthermore, the substantiveness of programs and policies remains unknown, as it was not evaluated as part of this study. Therefore, I believe my conclusions remain open to modification as a theory that is currently exhibiting path-like tendencies but is not deterministic.

Second, the process of imitation through translating and editing runs counter to the concept that the isomorphic pressures will result in homogeneity. Analysing websites, for example, shows similar progression and use of rhetoric associated with movement toward integration. Nevertheless, it is rhetoric that is aligned with the prevailing framing, which itself is designed to provide an umbrella solution to industry pressures and uncertainties. It becomes a superficial image of homogeneity, which provides a unified industry front. Under the surface, differences in histories, experiences, employees, products, operational locales, etc., socially construct, through bricolage, distinct spheres of culture within each company.

## **6.1 Areas of Future Research**

Since my research is based on a momentary glimpse into the functioning of the pharmaceutical industry, it does not have the temporal scope to assess the stability and long-term permanence of the institutionalization of integrated CSR. As I said in my conclusion, although it appears that companies are all on a path toward integration, the presence of variables (Section 5.5, p. 291) with the potential to stabilize or destabilize, progress or divert institutionalization questions the strength of that assumption. If I cannot confidently assume how this process is going to end, if at all, then an area of future research would be to turn my research into a longitudinal study by revisiting the respondents and their companies in 5-10 years' time (assuming they would still be available and willing to participate). It may be possible to identify what variables, if any, influenced the institutions and their current direction toward CSR integration. I believe the methodology used in this study would be similarly effective in examining why and how companies within the pharmaceutical industry did or did not institutionalize CSR integration.

The extensive content of interviews and, especially, websites provides

opportunity for further data analysis. For instance, this thesis examined CSR at the company and industry level using grounded theory and institutional theory, which was supported by triangulation between interviews (primary data) and websites/CSR reports (secondary data), to determine why and how companies engage in it. Secondary data could be reanalysed using discourse analysis to further analyze the construction and function of language in communication strategies and the probable effect it has on institutional change. Furthermore, a longitudinal approach to the analysis of website discourse would also be effective, and could identify how discourses change over time, if depicted strategies and features are adopted across one or more companies, and how it relates to the relative stability of the institutionalization of integrated CSR. Another option would be to use modified content analysis (see Suddaby & Greenwood, 2005) to identify and gauge the frequency of rhetorical strategies to shape the framing of CSR strategies at different companies. Companies included in websites and CSR report analysis could be expanded for both methods of data analysis because they would not be tied to respondent participation and, therefore, there would not be a requirement for confidentiality, thereby allowing for company names, products, and examples explicitly.

An interesting tangent of my work would be to examine CSR within other similarly controversial industries. For example, banking and oil/gas are two industries that respondents said are also controversial and have poor reputations similar to that of companies in the pharmaceutical industry. Each of these industries is noted for both their integral function within society and the ethical/environmental/social controversies that dominate their reputations. They may lack the inherently 'good purpose' like companies involved in healthcare, but would still provide further insight into industries that could experience similar institutional pressures and how the actors within the social context are responding. I am curious as to why and how they react to these pressures and what are the similarities and differences between them and the pharmaceutical industry's current process of institutional change.

Furthermore, I would like to look at companies considered CSR leaders or entrepreneurs who advocate, implicitly and explicitly, the business case for greater symbiotic sustainability. I used the example of Interface Global in the literature review (p. 63) as an example of a company that used some of the opportunities created by



'green technology' to increase company profits while being environmentally sustainable. It would be informative to examine the contextual and institutional elements that formed, and were leveraged by, Interface's leadership to construct openness to a logic that, at the time, could not be reinforced by empirical evidence.

Examining the institutional entrepreneurs in other industries brings up another important avenue of research to pursue: who and/or what made Company C different from the other pharmaceutical companies, and what role did those differences play in transforming Company C into an industry leader and advocate for CSR integration. Specifically, how its historical foundations and experiences, understandings, leadership, workforce, and societal interactions and relationships influence its institutional perception of CSR and its role within the industry. My interview with respondent 19 was far too brief to comprehensively examine all of these factors; especially, how they interacted to reach outside the traditional industry logics to capture and frame the potential opportunities they attribute to integrated CSR.

I would like to interview employees from throughout the hierarchy and make observations of day-to-day activities as a way to immerse myself in the culture of Company C. By doing so, I intend not only to have a hands-on experience, but also to create a basis from which to evaluate whether or not they are walking-the-talk. Furthermore, I would also like to examine what elements of Company C's institution have been injected into the circulating concepts of CSR within the industry, potentially influencing the trajectory of institutionalization at other companies.

Overall, using grounded theory and institutional theory to examine CSR within any industry should prove to be fruitful research; therefore, I believe there is great potential for expanding my research into these areas. The areas I just discussed are the most notable, but I remain open to other opportunities and collaborations that might emerge in the future.

## **6.2 Implications of Research**

### **6.2.1 Implications for the Pharmaceutical Industry**

My research provides employees of pharmaceutical companies with an opportunity to voice their thoughts and enhance their understanding of CSR within the

context of the industry. Specifically, the gaps identified in the literature review displayed a 'battle of perceptions' between those within and outside the industry (Section 2.3.2, p. 79). Instead of encouraging the arguments of either side of this battle, my research has clarified a number of contested areas such as the overall healthcare role of the pharmaceutical industry and how CSR is changing to play an evermore-important part of that role.

By using constructivist grounded theory and then institutional theory to analyze the previously assumed perspectives of pharmaceutical employees, I identified that most have an expanded conception of the industry's role and attributed responsibilities that is proactive and goes beyond the passivity related to the traditional reliance on product creation as sufficient CSR. The amount of employee exposure to areas of institutional overlap appears to be making companies more open to external conceptions, which is further increased by an economic justification that integrated CSR can lead to long-term success.

The specific implications my research has for the industry is that it provides an overview of circulating ideas of CSR that are being adopted by different companies, albeit identities of these companies remain confidential. Almost as a resource for institutional entrepreneurs, my research shows why many actors within the institutional context have similar conceptions of how the integration of CSR will be sustainable. Therefore, by explaining how CSR is being framed and how that affects others' perceptions, I may actually be furthering its circulation by compiling and communicating its many features and the strategies for reinforcing it. Additionally, respondents and other interested industry-related actors might identify my work as providing some level of cross-company legitimacy for their CSR perspectives, practices, and structures. Notably, the critique of traditional forms of CSR may serve to delegitimize the practices and structures of companies engaging in primarily traditional types of CSR (e.g. basic philanthropy and volunteering).

Overall, my research is a resource for respondents and other employees to compare CSR at their companies to my substantive and institutional theories. However, my research did not provide empirical evidence as to whether or not traditional, expanded, or integrated CSR has or will be successful according to the framed purpose

of each perspective.

### 6.2.2 Implications for Corporate Social Responsibility Research

My results and discussion not only depicted how institutional changes are altering why and how companies in one industry engage in CSR, but how concepts of CSR are evolving as well. For example, my literature review explained the many theories communicating the potential of CSR as a transformative force in business (Benett et al., 2009; Googins et al., 2007)—a force that relies on and leverages its ability to address the symbiotic needs of both business and society.

In the pharmaceutical industry, the progression of CSR perspectives resembles the historical evolution of CSR (Section 1.2, p. 19). However, there was a delay in the societal circulation of evolving CSR perspectives described in the literature and when they took effect in the industry. It appears external theorization that is reinforced with sporadic, if any, practical examples of new forms of CSR does not automatically cause immediate adoption by most companies. For example, this study showed how nearly a perfect storm of environmental conditions and uncertainties was required to open up the historically stable institutions of companies to alternatives.

The concept of a symbiotic balance between societies and business is not new, with discussions of it dating back to Aristotle (Mele, 2008). CSR is the current incarnation, or title, of this balance and conveys the growing ideas in the current societal context of how to tend to the needs of the business/society relationship. The same was observed with regard to economic policies and how individual self-interest should be balanced with the common good (Smith, 1776). I theorize that when greater levels of externalities, and therefore, inequality, coercion, and uncertainty, are created by businesses within a society there will be more vocalization and theorization around how to improve social responsibilities of companies and how it can improve the performance of businesses as well.

Overall, my examination of CSR and its socio-organic evolution within the context of one industry illustrated a changing global construct that is shaped by the transformative and relational theories expressed by individuals and groups. The temporal/spatial differences feeding the growth of this construct reflects the

personalized and group processes of bricolage that compile and circulate new and recirculate translated and edited ideas; all of which continually influences the social constructions of expected roles and responsibilities of business and society. I theorize that CSR is an aspect, albeit an important one, of a larger process of people trying to understand their connectedness to each other and the inherent responsibilities attached to these relationships. Similar to the 'corporate' attachment to 'social responsibility', 'government' can be used to create GSR because I believe the foundational argument of 'SR' is to advocate that the individuals and groups with power and control over others should use such positions of power in a more symbiotic way.

Therefore, my main contribution to CSR research is that I perceive SR as symbiotic responsibility, and its varying formations comprise the expectations for those with the capabilities to influence or shape the symbiotic interdependency, to do so responsibly and beyond their own self-interest. In other words, the groups (corporations, government, NGOs, etc.) and individuals (religious leaders, billionaires, etc.) with the resources and capabilities to leverage the inherent interdependency within societies should be responsible in how they use such power, and even further, how it can be used to improve the common good. The push for integrating such responsibilities is about moving modern economic institutions away from conceiving responsibilities to the common good as satisfied simply through the operation of a business (shareholder perspective), to one that acknowledges a symbiotic relationship (stakeholder perspective) and cognitively embeds how to leverage opportunities for mutual benefit into the core business strategy (institutionalized logic of integrated CSR).

### 6.2.3 Implications for Grounded Theory Research

Grounded theory, much like institutional theory, has been pulled in many directions, although mostly on epistemological grounds. Originating as more positivist (Glaser and Strauss, 1967), grounded theory has branched off into post-positivist (Strauss & Corbin, 1998) and constructivist approaches (Charmaz, 2005). The latter I selected as the main foundation of my methodology, but I included aspects from other grounded theorists as well (Strauss & Corbin, 1998; McCann & Clark, 2003a; Suddaby, 2006), to round out the specifics of my methods. In doing so, I attempted to stay faithful

to my methodology and not try to 'reinvent the wheel'. Therefore, my use of grounded theory maintained such faithfulness until the end of my results section.

However, in attempting to validate my theory by comparing its areas of overlap with other theories, I identified how it could be further modified and articulated using institutional theory (implications of which follow), and vice versa. As a result, the main implication for grounded theory from my work was to illustrate its capabilities in providing creativity to enhance the clarity and scope of other theoretical frameworks used to explain social phenomena.

Grounded theory as a methodology was used to construct a substantive theory, which in itself is informative, novel, and useful. Nevertheless, the potential of the substantive theory can provide additional theoretical insight into, or verification of, conclusions made by other theories. If institutional theory is comprised of an array of substantive theories that are pieced together by scholars to explain its foundational and specific elements, then grounded theory provides some of the substantive theories that are supported by empirical evidence to enhance the framework of such meta-theories. In general, this process is not perfect, obviously, and it has resulted in some fragmentation and divergence within institutional theory.

#### 6.2.4 Implications for Institutional Theory Research

As was just discussed, institutional theory provided a valuable framework to re-analyze my substantive theory; but to do so I had to examine its theoretical underpinnings. My research into its history revealed a lot of similarity to the ongoing theoretical struggles among grounded theorists. For example, some research pathways like isomorphism became overly focused on proving a single outcome, similarity, rather than why differences occur (Greenwood et al., 2008). Additionally, there have been many differences of opinion regarding its foundational elements; especially since the backgrounds of those researching in the area varied (e.g. resource dependency theory, organizational ecology, etc.).

Scott (2008) attempted to group the foundational elements of institutional theory into three pillars: regulative, normative, and cultural-cognitive. A stream of relation is observable throughout institutional research regarding these pillars. For example, the

three types of legitimacy (pragmatic, moral, and cognitive) and the mechanisms of transmission (coercive, normative, and mimetic) each can be interpreted as relating to one of the pillars, respectively. Even the definition of institutional logics (p. 241) is comprised of concepts from each of the three pillars. However, since institutions are thought of as primarily cognitive (Suchman, 1995; Suddaby & Greenwood, 2005), then questions arise regarding the other two pillars: regulative and normative.

Furthermore, theorizing about the relative weight of each pillar in building, maintaining, and changing institutions is a matter of great debate. One theory is that when practices or structures become cognitively embedded there is virtually no necessity for the presence of regulatory frameworks and normative evaluations because there is no need for reflection when each has become taken-for-granted within a cognitive framework (Hirsch, 1997). However, I must contest that I perceived some relation among types of legitimacy because as the framing of an innovation is contested, building and maintaining its pragmatic and moral legitimacy appears to be crucial in whether it is successful in dislodging or modifying the dominant logic. Such legitimacy may prop-up an innovation, or solution, as it goes through the institutionalization process where cognitive legitimacy is strengthened to a point of taken-for-grantedness.

I believe that institutionalization is a continual process because of the differences among individuals within an organization. The pluralistic environments within (e.g. diverse workforce) and external (e.g. transnational operations) to institutions make it nearly impossible to operate in isolation or have members universally and completely adhere to preferred institutional logics, which of course allows for the possibility of change.

Upon writing my discussion and conclusions, I identified the constructivist stream of research that has heavily contributed to the organization-based branch of institutional theory. Some prominent examples include how employees relate to, and interact with, their social worlds; how those same relationships influence and reinforce institutional logics, changing or stable; how circulating ideas are translated, edited, and imitated; how the increasing circulation of ideas enhances their memetic features for further transmission; and the power of framing and types of discourse to shape and direct

institutional change. Notably, Berger and Luckmann's (1967) three phases in the construction of common meaning present a great foundation for how institutional change can occur through socialization, including, in the case of the pharmaceutical industry, how it can be directed toward preferred ends. Furthermore, it sheds light on the power of language and discourse in building, maintaining, and discrediting institutions (Phillips & Malhotra, 2008; Phillips, Lawrence & Hardy, 2004; Suddaby & Greenwood, 2005). Overall, I think that this area of institutional theory should receive greater attention in the future.

In the end, I found that using institutional theory as a lens to interpret my substantive theory highlights its effectiveness as a constructivist research tool to better explain the micro and macro social processes and interactions constructing phenomena.

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## Appendix A

### Instrument – Interview Guide (Version 1)

#### Initial Open-ended Questions focusing on collective practices

- Briefly describe the CSR activities your company is involved in.
  - Probe: Ask influences of scope and size of CSR activities.
- How does your company decide on where to focus its CSR programs?
  - Probe: Ask about their exclusion/inclusion criteria.
- What outside pressures do you see as influencing your company's decisions regarding CSR?
  - How do you see these pressures affecting companies in other industries?
  - Probe: Is the pharmaceutical unique in regard to these pressures?
- How has the condition of the global economy affected your company's CSR?
  - Probe: Look into links of whether financial motivations are tied into CSR motivations.
- What are your company's reasons for engaging in CSR?
  - Probe: Look into whether differences exist between the participant and their company.
- Describe the results that you have attained from engaging in CSR?
  - How do these results benefit your company?
  - Probe: Ask about financial, reputational, and moral benefits.
- Describe any limits placed on current or potential CSR programs?
  - Probe: Ask if lack of benefits is justifiable.
- What positive change(s) to your company's CSR have you observed?
- What negative change(s) to your company's CSR have you observed?
  - Probe: Ask for details and reasoning for answers to both questions.
- What are the values of your company?
  - Probe: Look into differences between the participant and their company.
- How have your company's values changed or remained constant?
  - Probe: Ask for explicit examples, reasoning for each possible answer, and if CSR is a factor.
- How do you see the values of your company relating to your CSR programs?
  - Probe: Is it the same relationship with all programs and policies?

### **Intermediate Questions focusing on the Individual's participation and views**

- How do you define CSR?
  - Probe: Look into whether similarities or differences occur between participant and their company.
- Thinking about a CSR program or event that you have had experience with, describe what your involvement was and how you felt about it.
  - Probe: Look into their motivations for involvement and what benefits they took away from the experience.
- How does your position in the company shape the experience you have with CSR?
  - Probe: Look into whether similarities or differences occur between participant and other positions in the company.
- How have your feelings about CSR changed since taking your position with the company?
  - Probe: Look into the specific influences for the change.
- In what ways have you watched CSR evolve in its use by your company?
  - Probe: Ask if the evolution has been positive or negative.

### **Ending Questions**

- Is there anything that you might not have thought about before that occurred to you during this interview?
- Is there anything you think I should know to understand CSR and/or values at your company better?
- Is there anything that you would like to ask me?

## **Instrument – Interview Guide (Version 2)**

### **Initial Open-ended Questions focusing on collective practices**

- How do you define CSR?
  - Probe: What actions and behaviours do you see representing CSR?
  - Probe: How does your company define CSR?
- Who or even what inside your company pushes or drives CSR?
  - Probe: How do they push, drive or influence CSR?
  - Probe: What other areas do they influence?
- What pressures outside of your company affect your CSR decisions?
  - Probe: How does stakeholder needs come into play?
  - Probe: Are these pressures unique to the pharmaceutical industry? Why or why not?
- What motivates your company to engage in CSR?
  - Probe: How did these motivations develop?
  - Probe: How do or don't you relate to these motivations?
- How does your company decide on where to focus its CSR programs?
  - Probe: How did you develop your exclusion/inclusion criteria?
- Describe any size or scope limits placed on current or potential CSR programs?
  - Probe: How are limits determined?
  - Probe: What is the reason for limits? Are there special circumstances?
  - Probe: How would it be justified if there were no benefits?
- What have you achieved from engaging in CSR?
  - Probe: How do these results benefit your company?
  - Probe: How do you recognize results?
  - Probe: How do you measure results?
  - Probe: What role does reporting play for CSR?
- If you are going to create or engage in a new CSR program or policy, what things need to happen or be accounted for it to be successful?
  - Probe: What factors contribute to a successful CSR venture?
- What importance does authenticity of CSR have on people's perception internally and externally of the company when engaging in CSR?
  - Probe: Are there methods to try to ensure authenticity?

- Probe: Are there any difficulties with scepticism around authenticity?
- Describe how it might or might not be necessary to differentiate your CSR programs and policies from other companies?
  - Probe: How about from other pharmaceutical companies?
- What are the values of your company?
  - Probe: How do your values line-up with your company's?
  - Probe: Since starting with the company, how have you observed your company's values changing or remaining constant?
  - Probe: Ask for explicit examples, reasoning for each possible answer, and if CSR is a factor.
- How do you see the values of your company relating to your CSR programs?
  - Probe: Is it the same relationship with all programs and policies?
- Describe how ethics may or may not interact with CSR goals, programs, policies etc.

#### **Intermediate Questions focusing on the Individual's participation and views**

- How have you been personally been involved in a CSR program or policy?
  - Probe: What kind of experience did you take away from it?
  - Probe: What were your motivations for becoming involved?
- In what ways have you watched CSR evolve in its use by your company?
  - Probe: Where do you think CSR at your company is heading? In general?
  - Probe: Do you see its evolution being tied to the industry's desire to constantly innovate?

#### **Ending Questions**

- Is there anything that you might not have thought about before that occurred to you during this interview?
- Is there anything you think I should know to understand CSR and/or values at your company better?
- Is there anything that you would like to ask me?

## Instrument – Interview Guide (Version 3)

### Initial Open-ended Questions focusing on collective practices

- How do you define CSR?
  - Probe: Does the definition vary by region – for example – Canada and the US?
- Internally, where does the drive for CR come from?
  - Probe: How necessary is it for regional personnel to drive it in their corresponding regions?
- Externally, what pressures your company in regard to CR strategy development?
  - Probe: How does stakeholder needs come into play?
  - Probe: Are these pressures unique to the pharmaceutical industry? Why or why not?
- What motivates your company to engage in CSR?
  - Probe: How did these motivations develop?
  - Probe: How do or don't you relate to these motivations?
- How is the global CR strategy customized in different regions – the US for example?
  - Probe: Is there a delay in the adoption and implementation of the global CR strategy in differing regions?
- How does your company decide on where to focus its CSR programs in a region like the US?
  - Probe: How did you develop your exclusion/inclusion criteria?
- When designing a global CR strategy, how do you prioritize what will get funded in a region like the US over a region like Canada? Do the regions decide off of a framework?
- What have you achieved from engaging in CSR globally and in a more micro example –the US?
  - Probe: How do these results benefit your company?
  - Probe: How do you recognize results?
  - Probe: How do you measure results?
  - Probe: What role does reporting play for CSR?
- What are the required factors needed to ensure a CR strategy like yours is effective?
- What importance does authenticity of CSR have on people's perception internally and externally of the company when engaging in CSR?

- Probe: How do you ensure the transmission of such authenticity from the global to the regional level-US as an example
- Probe: Are there any difficulties with scepticism around authenticity?
- Describe how it might or might not be necessary to differentiate your CSR programs and policies from other companies?
  - Probe: How about from other pharmaceutical companies?
- What are the values of your company? Do they vary across regions?
  - Probe: How does your values line-up with your company's?
  - Probe: Since starting with the company, how have you observed your company's values changing or remaining constant?
  - Probe: Ask for explicit examples, reasoning for each possible answer, and if CSR is a factor.
- How do you see the values of your company relating to your CSR programs?
  - Probe: Is it the same relationship with all programs and policies?
- Describe how ethics may or may not interact with CSR goals, programs, policies etc.
- In what ways have you watched CSR evolve in its use by your company?
  - Probe: Where do you think CSR at your company is heading? In general?
  - Probe: Do you see its evolution being tied to the industry's desire to constantly innovate?

### **Ending Questions**

- Is there anything that you might not have thought about before that occurred to you during this interview?
- Is there anything you think I should know to understand CSR and/or values at your company better?
- Is there anything that you would like to ask me?

## Appendix B

### Memo #16 – Focusing/evolution of CSR

The history of the focusing of CSR seems tied to its evolution in the company of the first interview. The interviewee stated that the original approach to CSR was a 'Shotgun Approach' and it may have worked at first but as the company grew to a substantial larger size more requests for donations grew exponentially. The company is concerned with their image and the owners have a desire and expectation of participatory and effective CSR. The combination of the motivations and the recognition that followed created more groups wanting a share of their CSR efforts. It quickly become far to time and money consuming to try and fulfill each request. Additionally, the amount of employee requests increased with more employees and increased participation in their local communities. When the overwhelming requests became too much, the shotgun approach was most likely to spread out causing an over-distribution of CSR that was more superficial because of its inability to help to a desired effect. It consumed too many resources while being incapable of having the desired impact set-out by the owners/executives.

The only way to resolve the lack of focus was to sit down and strategize the best framework of guidelines that would address both the needs of the company and designated CSR targets. They had to go from a shotgun approach to more of a 'rifle approach' where by narrowing down the targets it will have a deeper impact. In essence these guidelines lay-out the exclusion/inclusion criteria needed to focus the targets of CSR to maximize the effect while reducing inefficiencies. It is clear how the exclusion/inclusion criteria are applied to the community perspective of CSR but it is not clear how it would be for business and healthcare. Obviously they must have restrictions on drug access because they cannot sustain free and total access to drugs but it was unclear in regard to 'mortar and brick' work in regard to pharmacy colleges. (This part would need to be examined further). And although interviewee commented about the integration of perceived Canadian values into their CSR, there community programs are only local and not national – limited to operation areas and employee areas of residence.

It has to be questioned whether the focus of CSR can only be attributed to the limitations presented by overwhelming requests and increasing expectations. Could it be that as the company grew and CSR become international more prominent that the company realized the business case for CSR required a complex strategy with certain guidelines in place to ensure it works as expected? The evolution of CSR itself may have a role in the focusing of programs. Identifying how other companies can use it to their advantage while still ensuring the fulfill obligations or responsibility to society. Basically, how they can satisfy the ever-changing expectations tied to a license to operate which is coincidentally tied to image and perception as well. The companies are increasingly expected to fulfill new responsibilities related to the external costs of their operation and not satisfying these requirements can cause backlash from both society and government (i.e. new regulation). Focusing and strategizing CSR can, for example,

stave off or prevent the introduction of mandatory CSR regulation, which currently does not exist.

Finally, focusing of CSR is better for perception because a 'shotgun approach' can be attributed to a lack of planning and even effort in CSR programs and policies. A strong strategy gives the perception that it is being taken seriously and has become an integral and everyday part of business operations.

### **Memo #49 – Influence of personal perception and job locations within company**

Similar to other interviewees (add in Val), interviewee 12 seems to have a noticeably different view of CSR in their respective company in comparison to those who are directly involved in the decision-making of CSR. Interviewee is more on the periphery of the company with a regional manager position and the distance from the country headquarters seems to result in a couple tendencies – **Avoidance of detailing company perception, less perception of negative features to CSR, doesn't view pressures to engage in CSR, and promotes CSR as inherent to pharma.** I think that a distinct separation in level of communication and understanding of CSR according to position in the company has substantial effect on their perceptions and tendencies. Field positions are, as their title states, distanced from the main operations of the company and I think this may have dramatic effects on their perceptions – it adds uncertainty as to policies and what is acceptable to say. Their limited information about corporate perspectives and sometimes policies makes them err on the side of caution and provide more what they view as pro industry comments. For instance interviewee 12 talked about: **Cannot perceive anything negative about CSR, does not perceive requests as pressures, hesitant to call CSR a requirement – natural instead, pharma culture inherent to give back – second nature.** It almost appears as answers from a communications department that are trying to positively portray CSR. However, it becomes clear that their perceptions vary somewhat from these comments because of a number of contradictions to the previous areas of discussion: **Controversy can block some CSR, CSR has reputational benefits, Unaware of CSR achievements and motivations (although list a number of them), understands controversial nature of some philanthropy.** Additionally, interviewee 12 stated that they don't see pressure to engage in CSR but also states that CSR emerged from HIV crisis in Africa, there are far too many requests to satisfy, pharma is unjustly portrayed in the media and CSR doesn't get enough credit etc. The **unfair portrayal or reputation of the industry** came up numerous times. It appears that being located inside the CSR prioritized department grants knowledge on those personnel and they become more candid because of their greater knowledge of CSR strategy at the company. In contrast, those away from the CSR prioritized department that are also lower in positional rank are exposed to CSR in a less comprehensive way that makes them hesitant or unable to create the links between topics that CSR inclusive employees have. Their perceptions alters to include hesitancy on topics as to create a more pharma-centric view of CSR but contradictory statements reveals the altered perception, whether they know it or not.



It is also interesting that interviewee (12), similar to others, see the **field employees are the eyes and ears of the organization**. They appear to be one of the main vehicles of the company to identify the needs of stakeholders and others and then begin the filtering process to decide CSR engagement targets of philanthropy. It seems their roles are mostly relegated to philanthropy and volunteering with higher level CSR strategies being designed more at the country headquarter level. They act as ambassadors to help identify needs or opportunities in their respective area. However, the communications of CSR strategy appear to be disconnected to these employees and you have to wonder if they would be more effective if they had a better understanding of CSR at the company; ineffective CSR strategy transmission means it has to be less prioritized at the company. For example the interviewee (12) stated they **could not comment or were unaware of multiple topics discussed**. Maybe this disconnect is why companies infused corporate responsibilities into their main strategy rather than push CSR as a separate thread of strategy – create a culture over a strategy.

#### **Memo #66 – The influence of drivers on strategy to realize the anticipated benefits**

The drivers of CSR represent a mix of external and internal pressures placed on the company that later become translated into motivations that seek some form of benefit from fulfilling the opportunities that drivers present, whether it be risk management, synergistic programs, moral obligation etc. Interviewee brings another perspective onto what drivers are pushing the industry towards further CSR. The most basic but maybe also most important driver is that **CSR has become universally important**. Since it has reached this stage, it becomes an obvious priority for managers because when anything becomes that important there has to be a litany of opportunities and even risks associated with either embracing or ignoring it. Interviewee discussed a lot about the association of CSR and **managing risks** because, at least in part, **controversies create some of the CSR priorities** as a reaction to realized risk. Risk matrices are actually developed to try and map out possible risks, if they are being neutralized or avoided, and if any opportunities exist within the risks. Other risks are associated or maybe categorized as matter of a license to operate – the company has to satisfy some external and internal parties expectations to be granted a intangible 'license to operate'. Externally, there are numerous group and individuals within the complex social context (regs, stakes, social), and interviewee states a big part of license to operate on the micro scale is with **community expectations**. If the company is going to be part of a community and have the ability to operate freely there then they have be compliant with laws, regulation and some level of the normative views of the region. Additionally, since these other two parties are brought up repeatedly throughout the interviews, government and patients represent two other significant groups that heavily weigh on the license to operate of the company. Internally, **employees** are seen as significant drivers of CSR. The **new generation of employees** is more demanding of CSR type attributes within the company that they work for. They desire a workplace or company that embraces normative concepts like work-life balance and opportunities to actively

engage and even help design CSR programs and policies. Basically, they want to be part of a company that they can be morally proud to work for. And this appears to include the top of the organization as well because **the top level drives CSR and desire for it to become part of the company's DNA**. Additionally, the top driving CSR incentives and makes employees proud, so **walk the talk at the top is vital to CSR** for employees to endorse it and for the company to embrace it. So what happens is that both the **top and bottom are driving CSR and they meet in the middle – where CSR is created**.

What is unknown is the old chicken and the egg idea with drivers and benefits – were the benefits there before the drivers or vice versa? Or have they evolved hand in hand over the years; as drivers become bigger and more articulated the availability of benefits from the process of satisfying drivers increased and became for apparent.

The in discussing the benefits of engaging in CSR with interviewees it is common that more generalized benefits are provided and not very specific ones – could be related to the difficulty to measure CSR. None of the drivers completely state that they will benefit the financial performance of the company, which does reflect the literature on the subject. Interviewee thinks that the best way to maximize benefits of CSR is to **achieve CSR goals that are win-win** and there are **multiple TBL advantages to local production**. This view reflects movement towards a CSR philosophy that utilizes synergistic value creation. And this entails **combo CSR strategies in regions to boost benefits** with a goal to **create social-economic combo benefits**. The interviewee understands and wishes to use the opportunities that reside in the concept that there are **layers of internal and external benefits that stem from CSR**. The layers of benefits combine or add to the use of **CSR to boost the business-society bond**, which makes sense because if the bond is strengthened between the two it can be assumed that whatever benefits will in turn benefit the other, and that can lead to exponential increase for both over time.

Another substantial area that was discussed with regard to the benefits is the idea of **risk management**. I think this really reflects the idea that CSR can create a **better, external perspective or mindset** for the company and it results in more **effective scans and identification of both risks and opportunities**. So CSR can **protect against problems for the company**. This can definitely be linked back into the idea of a guiding CSR philosophy where all employees become reinforced with proper, responsible actions and behaviours. What could be better than an almost hive mindset that instinctively protects against problems/controversies while promoting the corporate responsibilities with every action and behaviour. And interviewee 16 even states that they **desire ambassador program to manifest through all employee actions and behaviours**. So the priority of the interviewee (16) is to **consult with various departments to find best methods of CSR to create a business case**.

Additional benefits from engaging in CSR reflect the satisfying the new generation of employees and that through effective CSR the company is more competitive to **recruit and retain employees** because of the added satisfaction of working for a company that

has embraced a solid CSR plan. What is unknown is if the same incentive exists for higher up or top level employees – do they want to work at companies where CSR is a priority of business strategy?

One benefit that may actually be connected to the financial performance of the company and CSR is that **CSR competition manifests itself in the DJSI**. So if the company is perceived to be more CSR able they may rank higher on the DJSI index which would attract more TBL investors. Now the index isn't that huge right now but if it grows it holds a lot of potential to raise the incentive to better engage in CSR. The combination of benchmarking for the index and other indexes like ATMI maybe the financial and competition incentive to better promote CSR. Since it is extremely difficult to measure the social effects of CSR, then maybe by linking the indexes to investing potential will finally link CSR to the financial performance of the company somewhat.

The partnerships and relationships appear to be what benefits the most from effectively engaging in CSR, especially if it is better merged with the overall business strategy of the company. Of course, enhancing partnerships and relationships is tied to the license to operate (externally and internally). Being open and transparent is the key to a healthy and trusting relationship, and from this the battle of perceptions can be best neutralized. Additionally, **partnerships bring proximity to targets and this will influence the mindset of those involved**. Employees, presumably, will become more motivated to engage in CSR and targets perceptions of the company will be more positive – win-win.

Use healthcare as bridge to benefits as motivation. Not to say the company did not already has these motivations but they were enhanced or highlighted by the drivers (think conceptual diagram)

### **Memo #69 – Some thoughts about CSR philosophy**

Through the development of a strategy to implement a business case application of CSR at any company a philosophy or perspective has to emerge to incentives the process. This philosophy is not the same for each and every company nor would it be the same across employees and departments of an organization. It has become clear the variance in perspective of CR varies greatly with proximity to the development of strategies. Being exposed to the implementations does not garnering the same perspective as being part of the strategy development. In this fact, is where the gap exists in the CSR philosophy being a mindset across the company and the cultural change necessary to accomplish this task. That is why, most likely at least, that when CR is purposely merged with the overall business strategy it resonates more with all employees, unifying around a common point – the corporation's overall business strategy. Common ground for unifying their perspectives is an integral part of the process but the CSR philosophy is constructed from experience and proximity to CSR itself. So, all employees need to be encouraged and reinforced to engage in CSR

activities to gain first-hand a perspective of its purpose and potential benefits. That means proper allocation of resources, organization and communications are necessary to bring a unified perspective to thousands of employees. The true example of a unified CSR philosophy would be in the majority of employees becoming manifestations of the CR/business strategies by being authentic ambassadors of the goals and values of the organization in all of their actions and behaviours with those internal to the company and externally in society or with stakeholders etc. If employees become such ambassadors it reinforces CSR throughout the organization and the business should naturally become responsible in all its actions because all employees are aware their normative responsibilities.

### **Memo #84 -- The role of values**

Trying to pinpoint the exact articulation of values is difficult because all the interviewees that are from companies with enhanced CSR (stage 2 or 3) discuss the importance and link between CSR and values. Now the values are not only there as a link to CSR but also as a framework to guide the decision-making of the business. As discussed from interview 19, the company which has the most evolved CSR, the reinforcement and adoption of values is integral to the development of a value-based management system at the company. As companies move towards more evolved CSR, then are they also moving away from a rules-based company to value-based. The previous rules-based management system did not work for the pharmaceutical industry, and this can be observed in how their reputations have continued to drop.

Value statements have been observed at every company and they all have been present in those companies for extended periods of time, usually since the beginning of the company. But it may not have been until the values were so well manifested via CSR that a value-based decision-making process could be realized. The past controversies show that the value statement of the organization was not well embedded into the mindset of all the employees. To cope, companies created more rules, but rules create red tape and may not curb the behaviour ('crime' goes up). The movement towards more CSR created a pathway to manifest the values in the company in initiatives. Slowly, the values are manifested through an evolving CSR strategy. Once the strategy reaches the end of stage 2 to the beginning of stage 3, it starts becoming more integrated into the business strategy. Interviewee 19's company showed this process well, while interviewee 20's company is on the cusp of taking the step towards where company 19 currently resides. As CSR and the overall business strategy become one and the same, the values are echoed and reinforced through every action and behaviour of the company. Values not become succinct with the overall strategy of the business – for the first time ever. So the process of moving CSR into the business strategy allows the company or is the necessary process for companies to become value-based organizations; which, notably, is also more successful for organizations. The size and scope of MNCs makes the value-based process incredibly complex. CSR maybe the best method to inject values into the overall mindset of the organizations and have employees rally around their business strategy with is synonymous with their CSR

strategy and its manifested values.

### **Memo #89 – CSR strategy, benefits/drivers, employees/values and the CIP process**

The strategy or purpose for CSR at interviewee 22's company is similar to the ideas put forth from interviewee 21 – a very idealistic approach to CSR. The moral inclination to use the abilities of the pharmaceutical industry is the very strategy for the pharmaceutical industry – the benefits and drivers are fuelled by the moral obligation to engage in CSR and then the strategy is based off these principles (or at least communicated to the employees that way). So, we will look at the benefits and drivers, how they develop into the CSR strategy and how the development of the CIP occurs in progress.

22 views **CSR as a fair expectation of the public** because they feel that there is a **higher purpose attached to the healthcare industry and it has inherent responsibilities attached to it**. As described in earlier memos, there is thinking amongst pharmaceutical employees that their industry is not like other industries, that it is more important in the sense that it has a higher level of responsibilities because it has the capabilities to help so many people through their products and actions. **Because CSR helps people's lives and is therefore self-fulfilling**, it becomes a natural driver with employees who share the same values. The interviewee explained that although the industry has an image problem, **CSR should was not birthed from a public image crisis but it does have a role to play in regaining public confidence, which will help mitigate industry backlash**. The inherent link between the healthcare industry and CSR creates a **motivation for public health and therefore CSR is a natural extension or maybe expression of this**.

The values of the company are expected to be manifested in the actions and behaviours of employees. The values set out intangible guidelines that are suppose to influence the company and kind of rudder them through their operations as guide posts towards being a successful and sustainable organization. IF values are not properly reinforced from all levels and continually updated through better articulation to reflect the times, then the values may just become a figure-head motto of sorts that is not really all that authentic. The values associated with operating in the healthcare system should translate or resonate with current and recruited employees. Interviewee 22 discusses this in depth and really paints an idealistic picture for employees - **All employees drawn to company for mission, All levels of employees agree CSR is important, Employees know-resonate values, Employees beleive working for bigger cause - manifested CSR, and Most employees understand CSR in fabric of company**. The interviewee really tries to emphasize that the organization is very much like a family and it shares and embraces the values which originated with the founding of the company and its original leaders. What employees also embrace is the concept that they are working for a company that is part of the healthcare industry and it has a more significant role to play in society – it can directly impact the health of citizens. The

company's assets and expertise put them in a unique position to be able to have substantial impact on the health of citizens in more ways than just innovating and providing pharmaceuticals. As a result, the values the company was founded on are representative of their perceived, enhanced role in maintaining or helping the health of society – not only do they have a duty to innovate and produce pharmaceuticals but they also have to do it in a responsible way. When it comes to recruitment, the company looks to **hire employees to drive CSR**; they want employees that already express the values the company holds dear. And this falls in line with the expectations of the younger generation of employees - **Younger gen big sense of purpose and Younger gen. wants legacy building**. To be able to recruit the employees with not only the best talent but also ones that attune to the values of the company, they need to engage in authentic CSR to be considered as a suitable employer. Employees have to be empowered to access and participate in CSR, have some routes to partake in its directions, and be privy to see the outcomes that are occurring from it. For this the company can be successful at their goal of **hiring those with a mindset that is congruent with the corporate mission. The employees' engagement in CSR is evidence of them living the values of the company and is a measurable area to identify if employees do in fact share a similar value-infused mindset**. The values of the company appear to be the stitching of the company that holds all these aspects together, while CSR is a natural extension of the values that are based on those inherent to the business orientation of this industry.

There are a number of benefits for the company's in terms of employees that spawn from properly engaging in CSR (**these benefits can vary according the perception of appropriate CSR by each employee**). The business case for CSR emerges in overt examples but also more intangible ways. For example, while engaging in CSR in an emerging market the company may be able to visibly enhance the healthcare infrastructure of the area (which may be measurable). On the other hand, by engaging in CSR the company and its employees can a better external perspective with their proximity to the initiatives and communications about CSR - Benefits created from external perspective - personal

External perspective-consecutiveness from CSR, External proximity grants better understanding of customer, Job enhanced by community perspective, and Perspective from CSR engagement creates opportunities. By not operating in a silo and being actively engaged and attune to the needs and expectations of your stakeholders a better perspective emerges that grants the company the ability to better understanding of their customers and the environment in which they operate. The enhanced external perspective creates better scanning for opportunities (i.e. more opportunities for the company are identified that may have previously remained unseen). Basically, CSR helps to develop a better mindset that is more externally oriented and entrenched in the environment that the company works in and affects. Most importantly, the expansion of perspective identifies better opportunities but these opportunities tend to require, at least at the higher level of CSR programs, innovative approaches to ensure success for all parties involved. By having to be innovative in approach it makes employees think innovatively which actually helps to enhance their skills set on top of the self-fulfilling nature already discussed about CSR. As CSR is engaged in more, the **leadership**

## **motivation supported CSR evolution.**

The evolution of CSR has been witnessed within each of the interviewee's companies. Of course CSR started with the industries - **Healthcare link inherent responsibilities**. CSR has been part of the fabric of the company since it began and the founder articulated the still used values that embraced the ideas of CSR – **long history of CSR mindset among employees**. But CSR did not evolve for a long time. But once it did start to evolve it **became a natural extension of their healthcare responsibilities** – or maybe a better and more focused extension. Although it (22) did not **evolve out of a public image crisis, it has evolved to be more public and has a role in regaining public confidence**. So, although the poor reputation of the industry did not start the evolution it has become a part of its fast or indirect benefit of engaging in CSR. Interviewee (22) touched on a previous subject that the industry may have been too private and as they have become more transparent and public, CSR has in turn increased as well - **Lack of transparency has lead to regulations**. Leaders have endorsed this move into CSR in some companies and it appears that the greater the **motivation to engage in CSR by leaders is in turn motivational to employees and the evolution of CSR**. CSR now is used on a much more global and complex level to address social needs at the **macro-public health level**. The evolution of CSR occurs but there are questions about its future because the uncertainty **of the industry's future – patents, pipeline, healthcare costs etc. and it may not be sustainable if there is not a measureable ROI**. The awareness of CSR appears to be an issues because even though interviewee sees **CSR being robust across the top pharma companies but he is unsure of its evolution in comparison to other industries – germane**.

As a result of the evolution of CSR new strategies have emerged to manifest the current and projected perspective of it. I think one code that really shows the strategy for CSR is – **build system for access to medicine**. In pursuit of this goal the company must be innovative because the traditional methods of CSR that centered on basic philanthropy and volunteerism. Using both of those as a basis, they were evolved to become parts of complex strategies to innovatively address social needs using the assets and resources of the business while creating synergistic benefits. CSR has now evolved into a **rubric or umbrella** that envelops the actions of the entire company because they realize that you cannot have an embedded CSR strategy and not be responsible in all peripheral actions and behaviours. So in way, CSR has become the manifested guiding philosophy that reinforces the values that have historical presence within the company. CSR is a better method to create a value-based system of operations – almost like a positive-based hive mind. A true company CSR mind-set has not been achieved to date as interpreted in the following code - **Ingrain CSR mindset - will survive company reductions**. It is the intangible goal of CSR but there are also many tangible and more measurable goals for CSR, include - **Improving patient outcomes SR and motivation, Improving patient outcomes through variety of means priority, Partner with government healthcare to provide better access, Partnerships to enhance CSR goals, Partnerships to help shape environment for better patient access, Social issue impact important – emerging, Use CSR to build-enhance**

**relationships within company - team building, Focus on improving peoples not just patients lives, Drugs part of mission to help peoples' lives, Engage in partnerships at community level.** In the pursuit of better access to medicine and overall public health, the company will utilize their expertise in combination with others expertise using partnerships in attempts to innovatively address the obstacles in the way of better public health. No single company can have a large impact on overall public health but through strategic focus they can address a few aspects in regions around the world that can have substantial impact for those populations. Additionally, community work around operations helps to enhance the community that they exist within, and this reflects a micro example of symbiotic relationship between business and society. **The motivation of public health shows that CSR is the natural extension of this priority.** They can address this priority through the production of pharmaceutical products but their size, scope, expertise, and capabilities places additional responsibilities on them to embrace a larger social responsibility to ensure access, affordability and availability of their products. In addition to this, the majority of companies now refer to themselves as healthcare companies because of their product line that is increasingly becoming more diversified to include things like animal health, medical products, and OTC medications. As they move into this space it is likely that the responsibilities must move in turn. Access to medicine responsibilities broadens into public health responsibilities but, however, this does not mean that funding increases to CSR. They must still focus CSR to make sure it is effective and efficient, but it now uses a broader set of complex programs to help things like, for example, enhancing health infrastructure and educate to increase health knowledge. A healthier population actually makes more money and this means they can afford more healthcare products (win-win situation?). This approach uses Scientific-system-community elements to target CSR in a broad fashion that can best address a few areas of public health.

The widgets in the evolution of CSR machine is the four main areas of the CIP. The continual improvement process is four interdependent areas that span across the organization and the changes that occur to these four areas make the necessary changes to achieve the evolutionary goals of CSR. The CSR programs are the result of the strategic choices and focusing of CSR. They need employees for implementation to occur, communications makes sure that motivations and perceptions are aligned to drive CSR forth, and the measuring is an integral part to providing verification of success to internal and external parties.

For interviewee 22, their company have developed and implemented numerous programs that range in size and complexity. The programs range from the local, which are simple and usually based on philanthropy and volunteerism, and global which are complex and sometimes represent the 'flagship' programs the company uses to best publicly display their commitment. And the complex programs, which are usually are also global programs, **are large displays of the commitment to CSR by the company and its leaders.** On more of the simple side, philanthropy is important and the majority of philanthropy resides in a foundation that is technically separate from the organization but really is tied to its financial health. Employee oriented philanthropy



tends to be facilitated by the company in the form of deductions from their pay-cheque and matching programs. Another is employee empowered philanthropy where they can collectively choose a charity at an affiliate and direct corporately given funds towards a charity of their choice. To facilitate the success of a lot of their programs partnerships are made to enhance relationships and the levels of expertise – make it comprehensive. Although the company does have a complex range of expertise to address many healthcare related situations, partnerships are needed to fill in gaps, which can include those that are information related. There are **partnerships with community groups, NGOs, and governments**. Stakeholders seem to represent a lot of the partnerships but also mutual interest partnerships to help best address a social need – **partnerships to enhance CSR goals and help shape better environment, for example, patient access**. One area that seems to be a huge focus of global CSR is **complex and innovative approaches address social issues in emerging countries**.

**The HR sections has been detailed in regard to employees earlier in this memo and the groups of employees and executives that are responsible for the strategizing, creation, implementation, and reporting of CSR.**

Communication of CSR is a priority for each company because it integral part of information transfer so that perspectives can be shared and values can be reinforced for example – it strengthens the CSR infrastructure and gets more buy-in internally and externally. **Communication of CSR reinforces it; visible support to reinforce CSR; and outreach reflects responsibility**. Communication of successful CSR and also the intentions of CSR help to drive CSR implementation and development but also bring authenticity and/or credibility to their actions with both employees and society. More discussion of communication is present within previous memos.

Measurement is the key to bringing verification to the success or failure of CSR engagement. Of course, it is not that black and white, but measures can help gauge the level of success of the intended outcomes. These types of measures can help companies figure out what may need to be tweaked in a program to enhance its level of success. Interviewee discussed the measurement of CSR in their interview and what they explained is the paradoxical problem that currently plagues more socially oriented CSR – how do you move past superficial measurements to actually assess direct links to successful outcomes by CSR interventions. The superficial measures are generally **simple input-output measures**, and these include: **Success measured at times on employee part. levels; measure employee engagement levels - hours etc.; and measure and encourage employee participation**. These type of measures are generally done by survey or simple numerical analysis based on budgets, participants etc. The difficulty is in measuring the outcomes of the complex programs which have outcomes that are not easily linked to the CSR program or intervention. The complex web of synergistic benefits is not easy to measure. Since we are dealing with business, the ROI is one of the most important signs of business related success and can play a key factor in ensuring the sustainability of CSR within companies. But **tangible measures of CSR are very hard to measure and the ROI of CSR will be a big test for the future of CSR**.

## Appendix C



# UNIVERSITY OF SASKATCHEWAN

You are invited to participate in a study entitled **Corporate Social Responsibility within the Canadian and American Pharmaceutical Industry**. Please read this form carefully, and feel free to ask questions you might have.

### Researchers

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### Purpose and Procedure

The purpose of this study is to obtain information on pharmaceutical corporations' motivations and orientations towards engaging in corporate social responsibility (CSR). To accomplish this, semi-structured interviews with pharmaceutical executives are being conducted. The executives will be representatives of the corporation, with experience in the CSR decision-making process, who can provide insight into the motivations for CSR and the values of their company.

One respondent will be interviewed at a time, with the interviews scheduled to last less than one hour. The interview will be conducted in a private room, and will be tape recorded and transcribed at a later date. To ensure confidentiality, each respondent's name, corporation, and product orientation (brand name or generic) will be de-identified using letter-based identification codes. The presentation and/or publication of results will use the identification codes to ensure a participants' personal and company information remains confidential

During the span of the interview, the interviewer (Tim West) will give a short explanation of the study and then begin to ask questions to the participants. The semi-structured

interview format will allow the interviewer to deviate from planned questions to follow interesting or unexpected topics. This study is not strictly isolated to the corporate viewpoints, allowing for the addition of personal opinions.

### **Potential Risks**

The potential risks of this study are minimal. Since all participants will have an identification code, and personal or corporate names will not be used, there is no chance in identifying who the participants are once the interviews have been completed. Only the researchers (Tim West & Roy Dobson) will have access to the consent form and identification codes. After transcribing the interview tapes, each participant will receive a copy and have a chance to review it before the researcher proceeds to use the transcripts.

### **Potential Benefits**

The benefits to participating corporations will be to reflect on their own approach to CSR and to become more informed on the current CSR environment of the pharmaceutical companies within Canada and the US.

### **Storage of Data**

All transcripts of the interviews will be de-identified. The linkage between the consent forms and data will be destroyed once participants provide final consent for the use of the printed transcripts. Tape recordings, transcripts and consent forms will be stored in a secure, locked facility of the Research Supervisor (Dobson), at the University of Saskatchewan, for no less than five years. After this time, if the tapes are deemed no longer needed, they will be erased; also, the transcripts and consent forms will be shredded if no longer required.

### **Confidentiality**

As stated under the *Purpose and Procedure*, only the researchers will have access to the list identifying each participant. For any direct quotations from a respondent when disseminating the results of an interview, the identifications codes will be given, with no connection to the respondent's name, company or product orientation. Different identification codes will be created for the respondent's name, employer, and employer information (product names and orientation). To ensure confidentiality, only one identification code at a time will be used in quotations and descriptions. This will not allow for linking of identification codes to occur.

### **Right to Withdraw**

Your participation is voluntary, and you may withdraw from the study for any reason, at any time, without penalty of any sort. You may also refuse to respond to any statement and/or answer any of the questions asked in the interview. If you withdraw from the

study at any time, any data that you have contributed will be destroyed at your request.

### Questions

Should you have any questions concerning the study, please feel free to ask at any point; you are also free to contact the researcher (Tim West) by email ([tim.west@mail.usask.ca](mailto:tim.west@mail.usask.ca)), facsimile (306.966.6377) or phone (306.966.6346). This study has been approved on ethical grounds by the University of Saskatchewan Behavioural Research Ethics Board on April 3, 2009. Should you have any questions regarding your rights as a participant in this study you may call the Office of Research Services at the University of Saskatchewan (306.966.2084). Out of town participants may call collect.

### Consent to Participate

I have read and understood the description provided above; I have been provided with an opportunity to ask questions and my questions have been answered satisfactorily. I consent to participate in the study described above, understanding that I may withdraw this consent at any time. A copy of this consent form has been given to me for my records.

Name of Participant	Date
Signature of Participant	Signature of Researcher