

# A Measurement System Of Corporate Social Responsibility In The Pharmaceutical Industry Of The Region

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## ABSTRACT

*Recently, the concept of Corporate Social Responsibility (CSR) has been adopted by many business sectors in the world including pharmaceutical industry. The orientation to social and environmental issues in business operations became a subject of much different research since the development of the stakeholder theory. The stakeholder theory emphasised social responsibility because a company's performance and business in general could not be measured solely by gaining profit. Shareholders and managers should be responsible for all others who «directly or indirectly affect or are affected by a firm's activities». Much attention has been devoted to this concept in the researcher's analysis in a range of sectors, but CSR research has been limited in the pharmaceutical sector. Measurement system is especially insufficiently analysed in relation to outcome measures to overall stakeholders. Thus, the purpose of the research is to analyse pharmaceutical industry in the Region (some of the ex-Yugoslavian countries - today Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Macedonia) which have developed a social responsibility concept in their renowned pharmaceutical enterprises. The research objectives are to investigate the CSR measurement system and make conclusions through critical analysis of the used indicators. The objective is to make a differentiation between pharmaceutical enterprises in using indicators to present economical, environmental and social issues. The final aim is to unify the approach to CSR in the pharmaceutical sector in the Region, as there is no agreement between relevant stakeholders and pharmaceutical industry about socially responsible pharmaceutical companies. The used research methods are: scientific analytical methods, interview, desk research, statistical methods. Research results: based on detailed analysis of the measurement system in the main pharmaceutical companies in four countries in the Region (a total of 12 in the sample) a model of a socially responsible pharmaceutical company is set up.*

**Keywords:** corporate social responsibility, measurement system, pharmaceutical industry and model

## INTRODUCTION

The concept of social responsibility<sup>1</sup> is based on the idea of moral responsibility of a company to anyone who directly or indirectly influences its business activities or to others, which it affects by its activities. In other words, in the decision-making process, a company does not only have responsibility to its shareholders and employees, but also to other stakeholders, such as suppliers, buyers, the government, local and regional authorities and all whom business activities of the respective company might affect. This could include harmful effects (various pollutions, inadequate relationship to employees, suppliers, non-quality product, service, etc.), or positive effects (quality of a product or a service, environmental protection, care for the employees, philanthropy, etc.).

Lately, global pharmaceutical industry has been under great public pressure, especially direct and indirect stakeholders regarding views on health and economic aspects of their business activities. Ethics and social responsibility of pharmaceutical companies in production and distribution of medicines are especially emphasised. As in any industry, in the pharmaceutical industry there is also a desire for profitable business activities and

increasing added value. However, the basic question is whether the industry can cross the line regarding re-assessment of responsibility for the lack of quality, environmental devastation, ruining of people, and unjustified and irresponsible decline in social values in general.

This is a reason the pharmaceutical industry has been facing great economic and political challenges on the global market. Consumers, government and general public are some of the most demanding external stakeholders which affect this industry. Companies which include socially responsible behaviour in their corporate policy can also expect certain benefits, such as an increase in the quality of life, by which general wealth is also increased, improvement of company's image, attracting greater number of investors by the company's socially responsible orientation, prevention of new regulatory measures, etc. The moving force behind greater emphasis placed on social responsibility, and, in this respect, business orientation, especially of larger companies, is public pressure with the objective to protect the environment, sustainable development, achieving an increase in purchasing power of the consumers and their protection, prevention of large companies' power in politics as a consequence of globalisation, etc.

The objective of this paper is to examine the level of social responsibility of pharmaceutical companies in the Region, i.e. the measuring and presenting method, and based on that analysis to propose a model of a socially responsible pharmaceutical company. The analysis covers 12 pharmaceutical companies from Croatia, Slovenia, Bosnia and Herzegovina, Serbia, and Macedonia.

#### **THE PROBLEM OF BALANCE BETWEEN ECONOMIC, ECOLOGICAL AND SOCIAL OBJECTIVES IN THE PHARMACEUTICAL INDUSTRY OF THE REGION**

Transition countries which have undergone the process of transformation from social to market economy have developed their transition pharmaceutical sector by changing and synchronising its legislative and ethical frameworks with those in developed countries. This especially refers to implementation of the social responsibility concept and adoption of corporate management principles, partly because of legal obligation, especially of companies present on the capital market. However, a characteristic of large companies is adoption of the CSR framework, not only because of regulations, but also establishment of business culture and the attempt to maintain the reputation. Reputation could be viewed as a set of economic and non-economic attributes ascribed to a company, inferred from the company's past actions (Weigelt and Camerer, 1988). General positive reputation is a valuable asset of a company which cannot be easily traded with. Surely, it is not a reflection of business activities only, but of a whole series of other attributes, such as management quality, quality of products or services, innovativeness, long-term investments, employees' abilities, responsibility to the society and the environment, etc. It is considered that a company is not only an economic and technical entity, but, to a much greater extent, a social and moral entity. This means that company's responsibilities reach beyond creating benefits for shareholders and employees, suppliers, buyers and other business partners, local community and society as a whole. Thus, the company reputation will differ depending on the particular stakeholder's group's expectation.

The view of modern economic theory and practice partly confirms this view, that companies should include the principles of social responsibility (or sustainability) in their business strategy and policy. Social and ecological inputs and outputs should be an integral part of companies' activity, not as additional part, but the key integrated part of the operational strategy and achieving effects set by their mission. Such view (Elkington, 1997, Grant, 1997,) is substantiated by the fact that sustainability affects the final business outcome and long-term profitability and should thus be treated as a strategic asset. The fact that it indeed is a strategic tool has been confirmed by theoretical premises and management models, initiative in the sense of institutionalisation and standardisation of the sustainability principle.<sup>2</sup> What is more, corporate social responsibility is also viewed as a business opportunity (Hodges, Grayson, 2004) of integration into a company's business strategy because the purpose, vision and values of a company are correlated and created at the same time.<sup>3</sup> They are stimulated by organisation and applied in the corporate culture, processes and rewards, employment, appointments of management and staff, education, promotion, and elsewhere (Tafra-Vlahović, 2009, pp. 163-184).

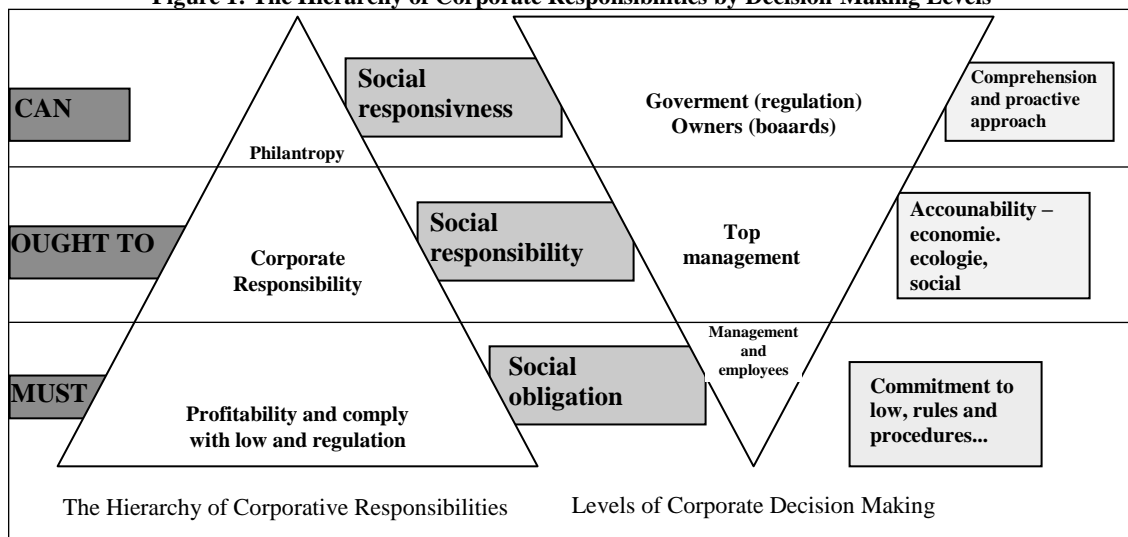
In the analysis of social responsibility, a holistic approach is necessary because a company's environment is complex, i.e. composed of a whole series of synergically and interactively interrelated economic and non-economic elements.

When applied to pharmaceutical industry, this means optimal linking of three key factors: economic, ecological, and social, through ethical business culture of company management, all in the interest of meeting the needs of final consumers, i.e. buyers of pharmaceutical products. The relevant question is whether the pharmaceutical industry, by producing goods and services for public welfare, does it well? Does it, in achieving its basic economic objectives, primarily takes care of ecological and social objectives? These are commercial activities, useful for society as a whole, which demand innovations in developing new products, but also upholding sustainability principles. In this way, companies achieve their fundamental purpose of existence, i.e. their mission, realise their vision and objectives, create values, not only for themselves, but for the whole society, which is expressed through measuring of results and transparent informing of the public.

Why would pharmaceutical industry be a leader in the concept of sustainability? Firstly, because the nature of its work, i.e. the purpose of existence and the set objectives, demand it to have moral obligations to the consumers and to ensure sustainability principles in order to keep its licence and maintain its reputation, by which it achieves long-term success. Responsibility is the key word in this process, and implies a hierarchical approach in the targeted company management. This means that, on various hierarchical levels of responsibility<sup>4</sup>, there should be an approach to management which supports the basic principles of social responsibility, changing the «must» tactics through the «ought to» tactics, to the «can» tactics, each of them containing a moral component (Leisinger, 2008, pp. 64). From the point of view of the pharmaceutical industry, the «must» tactics implies normal business activities which demand upholding regulations in the field of production of remedies and other medicines, as a moral commitment to the users, minimisation of pollution of the environment and respecting strategic determinants in business activities (investments in long-term development and profitable business activities). The «ought to» tactics implies a moral duty to help others, especially the undeveloped and the poor in prevention of various diseases and basic life conditions (diagnosing and treating a disease, various programmes of prevention and education, direction through instructions, etc.). The «can» tactics is related to philanthropy, i.e. everything companies provide, which would not reflect on their financial rewarding or other business advantages. This is a kind of discretion in business policy management, in the desire to contribute to social activities which have not been legally regulated, nor are expected in the ethical sense (Carrol, 1993, p.32). This should be exclusively voluntary and non-interest contribution of companies in accordance with charity principles, to donate the surplus of their products or services for the benefit of social interests.

Proceeding from this basic «must-ought to-can» model, hierarchical decision- making levels can be analysed, which, in pharmaceutical companies, have the power of determining and accepting the above-mentioned managing tactics.

**Figure 1: The Hierarchy of Corporate Responsibilities by Decision-Making Levels**



Source: Survey

The «must-ought to-can» concept can be linked to Sethi's model<sup>5</sup> of corporate social performance, which points out three levels of obligations to stakeholders, i.e. social obligation, social responsibility, and social responsiveness. The above-mentioned obligation levels are connected with decision-making levels. On the first level – social obligations, all the employees, and primarily management, must perform their business activities and tasks by upholding the laws, rules, procedures and other regulations in order to ensure effectiveness and profitability of business activities, but also to satisfy the interests of other stakeholders. On the second level – social responsibility surpasses social obligation and is considered to be something that should be included in the company's business policy which is adopted by top management or the board of directors. Responsibility is not only viewed through economic indicators, but also through ecological and social responsibility, which also satisfies the interests of external stakeholders. On the third level is responsiveness, the higher level of society's needs, which means applying and developing a proactive approach in development and adoption of regulations, with an emphasis on the possibility of satisfying social needs through philanthropy and voluntary work. Namely, both the government and the owners should strive to anticipate future social problems and actively, with much responsiveness, participate with all stakeholders in the identification of social needs. This approach does not mean substitution of social obligations and responsibilities with social responsiveness, but rather a holistic approach in the linking of interests and needs of all stakeholders.

Viewed from the perspective of transition countries included under the term Region, this primarily means:

- understanding of social responsibility for including concrete measures in the business strategy of a company;
- adopting binding regulations based on recommendations on social responsibility and sustainability;
- stimulating voluntary activities as benefits to general welfare.

Stimulating responsiveness affects strengthening of the company's sustainability because it increases its reputation, employees' know-how, and corporate culture through resource-based view (Michalisin *et al.*, 2000) of the company strategy.

#### **MEASURING OF SOCIAL RESPONSIBILITY – EXPERIENCES OF PHARMACEUTICAL COMPANIES IN THE REGION**

A well-known triple bottom line concept (TBL) has been used as a framework for measuring and reporting about economic, environmental and social performance objectives which are pursued simultaneously. A broader view suggests that the TBL comprises values, strategies and practices and how these can be utilised to achieve economic, environmental and social objectives (SustainAbility, 2003). These aspects of the TBL are interrelated, as society depends on economy and economy depends on global environmental ecosystem.

The objective of reporting on business results on three levels, economic, ecological and social, is to expand the decision-making process and make it transparent for all stakeholders. The holistic approach to business analysis in the context of social responsibility is an element of pursuing long-term maintenance of a company and its environment. Therefrom originates the necessity to analyse business strategy, processes and key indicators in order to monitor business activities from those three aspects, and to avoid possible risks in this sense.

The pharmaceutical industry is one of the fastest growing industries in the world in terms of realised profit, but considering its mission – saving people's lives and improving their health, consumers' awareness should be raised. It has to include social responsibility principles in its strategy and directly report on socially responsible activities.

This research is based on business results and measuring methods of social responsibility of pharmaceutical companies in the Region, which includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, and Macedonia. Data and indicators have been analysed for 12 pharmaceutical companies from the following countries:

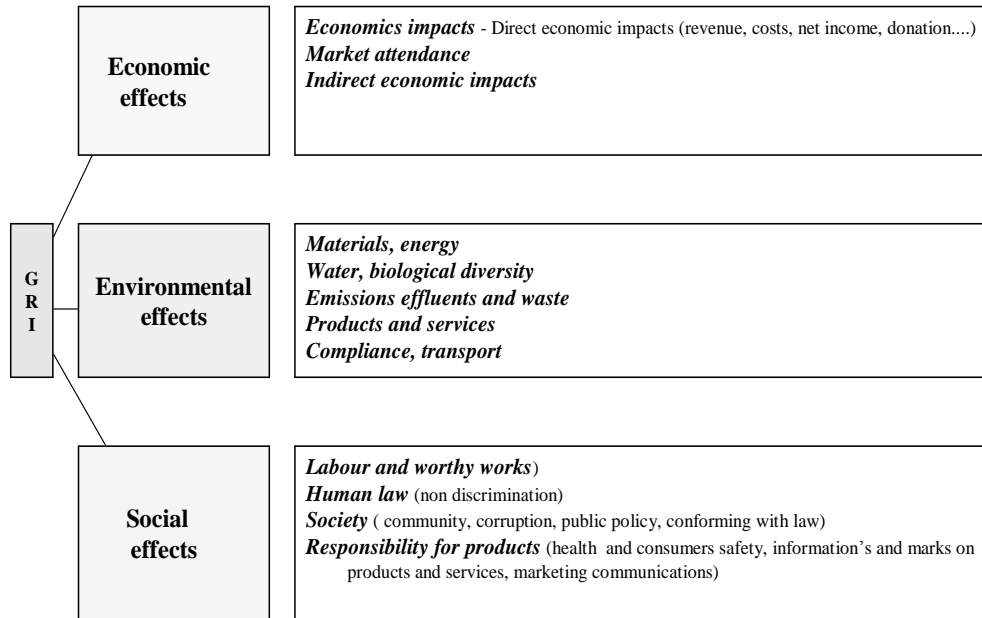
Croatia: *Pliva, Jadranski galenski laboratorij, Dietpharm, Farmal*  
 Slovenia: *Novartis, Krka, Lek*  
 Bosnia and Herzegovina: *Bosnalijek*  
 Serbia: *Galenika, Hemofarm*  
 Macedonia: *Alkaloid*

Data and indicators have been extracted from available reports with websites on social responsibility published for 2008. Besides, phone interviews with authorised persons in charge of reporting on social responsibility show that this research is not only statistical, but also symptomatic.

*Research results* are the following:

All the companies in the Region are joint-stock companies which filled a questionnaire on corporate management regarding the legal obligation. In accordance with the principles of corporate management, companies are obliged to responsible business activities and transparent reporting. Thus, all the companies also have reports on social responsibility and transparent reporting in accordance with the Global Reporting Initiative Guidelines (GRI)<sup>6</sup>, or their own reports which include economic and other sustainability indicators. Reporting is based on implementation of the triple bottom-line concept (TBL) i.e. indicators comprise economic, ecological and social aspect of a company’s performance. The concept basically outlines the fact that companies and other organisations create value in multiple dimensions; economic, social and environmental value added-or destroyed (Elkington, 2006).

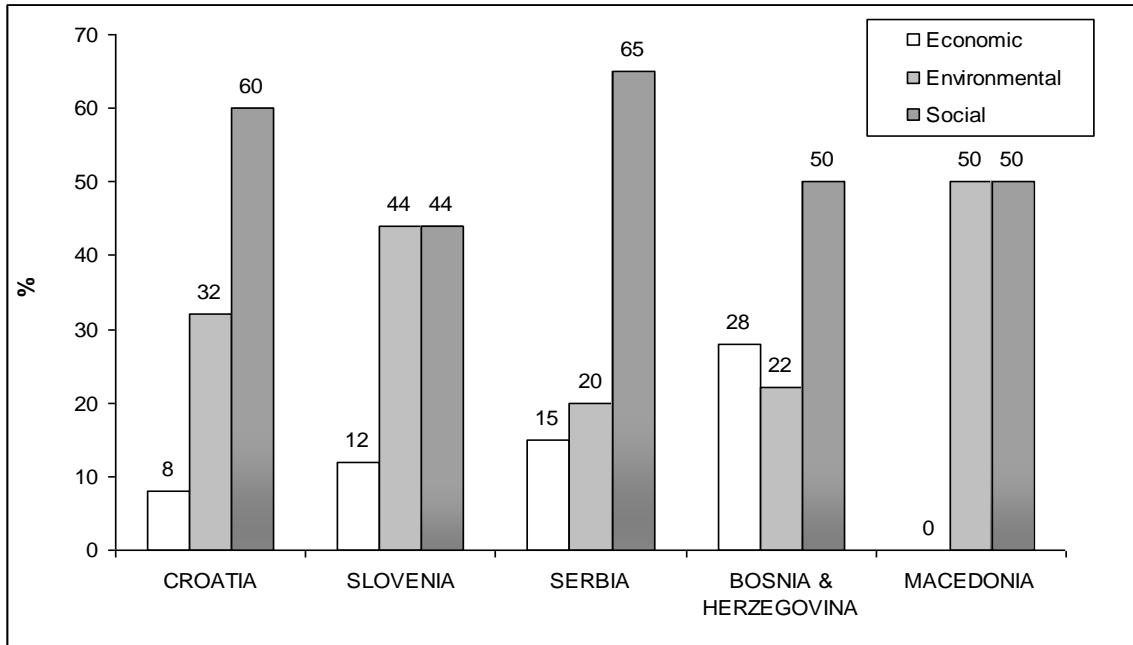
**Figure 2. Global Reporting Initiative Guidelines**



Source: Survey

Not all pharmaceutical companies of the Region use the same level of indicators stated in the Reporting Framework, i.e. their level is from C+ to B+, which means at least 10 performance indicators, including at least one of the economic, environmental or social indicators. This also means that reports are verified by an external source (C+), i.e. that some were on the B+ level, which means at last 20 indicators verified by external sources.

**Figure 3.: The Share of Individual Indicators in Pharmaceutical Companies in the Region (%)**



Source: Survey

Indicators of *economic* effects are based on annual financial statements. They are reduced to a smaller number of indicators which point to the financial position of a company, effectiveness and efficiency, and results of financial capital management. Information on mutual relations on certain markets (comparison of salaries, consumption policy of domestic suppliers, employment of domestic work force and the share in high management), as well as Indirect economic impacts indicators, are not represented as much.

Taking into consideration production features of pharmaceutical products, *environmental indicators* have greater significance. Commodities outline environmental aspects as materials (hazardous and non-hazardous waste, quantity of packaging materials, recycling), energy (consumption and conservation, investments in renewable sources of energy), water (consumption, investments in water conservation, quantity of water discharged), emissions, effluents and waste, quality standards etc. However, this is still a small number of indicators on the level of pharmaceutical companies of the Region.

Pharmaceutical companies in the Region stress *social aspects indicators* the most. This is a reflection of public pressure in the context of patients' healthcare in the treatment system, and also a response by the pharmaceutical companies in order to prove their care, primarily for their employees and all the consumers of their products, as well as care for social community as a whole through reporting. On the sample of 12 pharmaceutical companies from the Region, it is noticeable that the greatest care from the aspect of effects is devoted to the employees by caring for improvement of industrial safety measures, investing in education, ensuring of benefits (transport, food). Contribution to social community is reflected through public health activities and activities with institutions and disabled persons associations, sponsoring of professional medical conferences, and showing the value of sponsorships and donations. Some companies provide training and education programs for employees, as well as scholarship and collaboration with scientific institutions.

In conclusion, it is to be pointed out that all 12 pharmaceutical companies in the Region follow the principles and the business policy of socially responsible companies by implementing the latest GRI-3 guidelines. However, a moderate social responsibility representation level of indicators is noticeable, because 20 indicators were outlined on average, which is much less than the possible number (170). Also, in terms of structure, the GRI 3 guidelines recommend 19 economic indicators; in the Region this equals average 2, environmental 64, and averagely

7 are represented in the region, and 86 social, in the Region averagely 11. Reporting has still been insufficient in the field of environmental indicators which relate to disposal of outdated medicines and general protection of health and security. From the social aspect, insufficient information level is present in the field of responsibility for the product, which is a very important segment from the human aspect. A small number of analysed pharmaceutical companies are in the system of larger – foreign companies, so that reporting on social responsibility and sustainable development has been stimulated for the purpose of strengthening their global reputation.

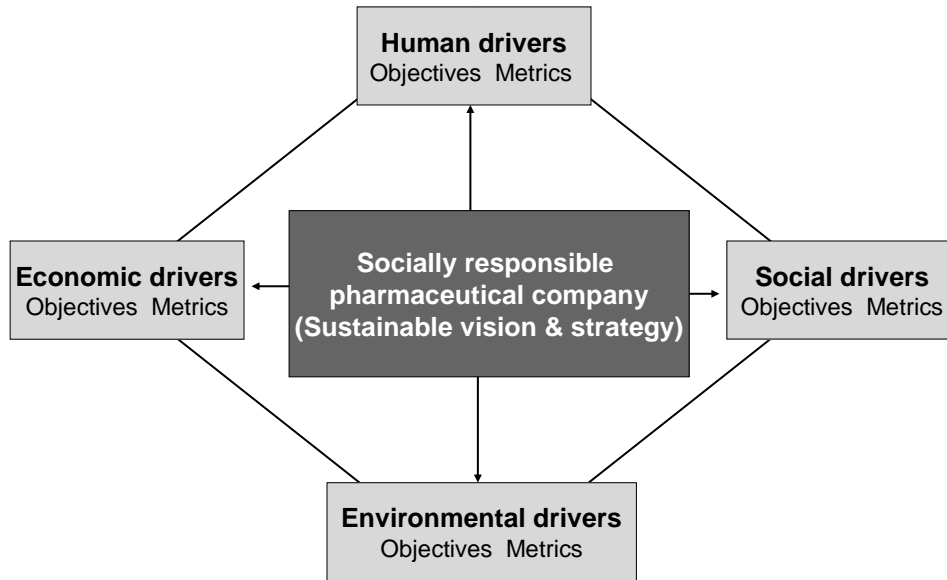
## **A MODEL OF A SOCIALLY RESPONSIBLE PHARMACEUTICAL COMPANY**

Pharmaceutical companies are the largest stakeholders in the global health programme. According to available information, 14 largest companies in the EU achieved a turnover of about 263 billion dollars in 2008.<sup>7</sup> The share of 12 pharmaceutical companies in the Region is very small in that respect – 0,5%, i.e. the achieved turnover amounts to about 1,2 billion dollars.<sup>8</sup> Reporting among companies in individual countries also differs; the ethical code has not been fully implemented and supported, and consumers' information have been insufficient and unavailable (Breeding the Cure, 2006, pp. 5). Thus, the primary demand is to improve transparency and ensure reliable and full informing for all stakeholders – especially consumers. Although the mission of the pharmaceutical industry is to save people's lives and to improve the health of people and the society, improve the quality of life, it is a fact that the pharmaceutical industry has lost the trust of the key stakeholders in the past few years – of regulators, financiers, doctors, and patients. It is morally and socially responsible to demand from the pharmaceutical industry to develop its business policy and sustainability strategy based on the culture of business management, by which balance is achieved between profitability and sustainability. In this process, the reporting method should be adjusted to basic demands of primary stakeholders and compiled in the manner to fully and truthfully outline socially responsible business activities.

Taking into consideration the transformation from social to market system, and transition processes in the past 20 years, pharmaceutical companies in the Region have also undergone changes. Companies which used to be production leaders (manufacturing companies, i.e. inventors of original products like *Pliva*, with high intellectual capital, have been privatised and sold. They all manufacture generic medications, and some are a part of global corporations primarily oriented to generic medications (for example, *Pliva* is a part of the *Teva Group*, *Lek* is a member of *Sandoz*, which is a part of the *Novartis Group*, *Hemofarm* is a part of the *Stada Group*). It is known that generic medications, because of their lower price, compete with manufacturers of original medications (originator pharmaceutical companies); however, research show that the originators achieve almost 10 times higher sales than the generics, and that they perform typical «follower strategy» (Kesič, 2009).

Reporting of pharmaceutical companies in the Region owned by foreigners has been synchronised with the «triple bottom line» concept which has been generally applied, regardless of the companies' activities. Thus, it is justified and necessary, considering the mission of the pharmaceutical industry and their significance for the society in general, especially surrounded by countries which have undergone transformation of economic system, to propose a reporting model in the pharmaceutical industry of the Region. This model would include four key elements (drivers): *human, social, environmental and economic*. This model differs from the triple bottom line model because it stresses the human component as primary in the pharmaceutical industry. The basis of the model is the mission of pharmaceutical companies of the Region which is most commonly outlined as «improvement of the quality of life», «healthy and quality life», «improvement of the culture of health», «prevention and treatment of diseases». Thus, the human component should be primary, and the objectives and metrics adjusted to the sustainability concept. By the very nature of this industry, the aspect of environmental protection is also considered significant regarding negative effects of chemical ingredients on the environment, but also on human health. Environmental performance is the most underreported section in general. Social reporting is generally better in the pharmaceutical industry than scores for environmental reporting (Sustainability Reporting..., 2009) The social aspect of the pharmaceutical industry is the next aspect which is linked for the mission and objectives of this industry and which should be developed in an even greater stimulation of public health services and activities to benefit the whole society. After all, the economic aspect, which has still been the most significant driver considering the achieved profits of pharmaceutical companies in the last decade, cannot be treated as the primary driver, but the outcome of human, social and ecological approach above all. All four drivers are interrelated and balanced.

**Figure 4: A Model of A Socially Responsible Pharmaceutical Company**



Source: Survey

In accordance with the aforementioned model, it is necessary to set *objectives* and adjust the *metrics* of reporting, specifically for the pharmaceutical industry, considering that the GRI-3 guidelines refer to companies regardless of their activity branch. The measuring method through data and indicators should satisfy the basic criteria: simplicity, understandability, facility of reproducing, comparability, synchronisation with the regulative programmes, cost-efficient data collecting, quality structured and graded, useful as a managerial tool, protected as a company information (Szekely, F., Knirsch, M., 2005).

Starting from the significance of the pharmaceutical industry for the entire human population as a socially most significant segment, it is recommendable to compose the metrics in the manner to adjust it to primary stakeholders (owners, employees, suppliers raw materials, buyers (consumers of medications and other pharmaceutical products), but also to other interested groups (local community, the media, society as a whole). Through a smaller number of indicators, one should in a simpler and clearer manner transfer the message on moral responsibility of pharmaceutical companies primarily to consumers, social community, employees, and other stakeholders.

Human drivers are oriented primarily to the consumers, who should primarily be informed about effectiveness of medications in a more simple manner, i.e. on positive effects on health and extension of life, and risks which can occur by a prolonged usage. From the aspect of humanity, one should especially report on the care for employees, who are the main drivers of research-developmental activities in the pharmaceutical industry. The social aspect is known in the pharmaceutical industry, especially through philanthropic activities; however, it should be expanded through other forms of philanthropy as volunteer work, by outlining quantitative and qualitative outcomes of such activities. Relationship to the environment should be supported by indicators of ecological protection characteristic for the pharmaceutical industry (waste, old medications, water, gases), with emphasis on the achieved results. Finally, the economic aspect, although important, but not primary, should be expressed through the growth rate of profitability and added value growth, not only through achieved revenues.



**Figure 5: Metrics for Pharmaceutical Sustainability Performance**

<b>Driver</b>	<b>Objectives</b>	<b>Metrics</b>
<i>Human users</i>	<ul style="list-style-type: none"> <li>- to insure highly quality products (health care and safety)</li> <li>- to prevent and reduce diseases in order to increase life expectancy</li> <li>- to increase the efficiency of clinical tests</li> </ul>	<ul style="list-style-type: none"> <li>- indicators of drug effectiveness (benefit and risk)</li> <li>- indicators of each drug impact on patient health and extension of life expectancy</li> </ul>
<i>employees</i>	<ul style="list-style-type: none"> <li>- to invest in empowerment of work conditions</li> <li>- to insure long life education</li> <li>- to encourage better effectiveness with team work and new knowledge in the science and profession</li> <li>- to present funds allocation for employess</li> </ul>	<ul style="list-style-type: none"> <li>- technology investment indicators</li> <li>- knowledge investment indicators (hours)</li> <li>- productivity indicators</li> <li>- average gross and net salary</li> </ul>
<i>Social</i>	<ul style="list-style-type: none"> <li>- to extend public health activities and other sorts of aids</li> <li>- to initiate cooperation with scientific and research institution</li> <li>- to publish brochure and other notification and media issues</li> <li>- to increase philanthropic activity (donation and sponsorship)</li> <li>- to emphasize legality and connfotming with regulations (corruption)</li> </ul>	<ul style="list-style-type: none"> <li>- number and efficiency of public helth and other activites</li> <li>- the value and the structure of cooperation and its effects (joint activity)</li> <li>- amount and content of publications</li> <li>- amount and value of philanthropic efforts</li> <li>- number of active processes, penalties and sanctions</li> </ul>
<i>Environmental</i>	<ul style="list-style-type: none"> <li>- to manage, dispose and recycle Toxic waste, packaging and raw material</li> <li>- old drugs disposal</li> <li>- to reduce wastewaters, noise, harmful gases, pollution etc.</li> <li>- to respect of quality standards (ISO, HACCP i sl.)</li> <li>- to invest in environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>- amount and the way of managing and recycling</li> <li>- quantitative and descriptive</li> <li>- numerical indicators</li> <li>- number and description of non-observance</li> <li>- value indicators</li> </ul>
<i>Economic</i>	<ul style="list-style-type: none"> <li>- to express revenue and income growth</li> <li>- to express profitability growth rate</li> <li>- value added calculation</li> </ul>	<ul style="list-style-type: none"> <li>- sales and income</li> <li>- growth rate of net income/investments and/or equity</li> <li>- EVA and MVA</li> </ul>

Source: Survey

Reporting using the aforementioned metrics is not obligatory, but, considering the fact that in the countries of the Region legislation has been synchronised with European legislation and that guidelines which stimulate socially responsible business activities have been implemented, it is considered useful to legalise the reporting method which would be suitable for the pharmaceutical industry. Why should a special reporting method be prescribed for the pharmaceutical industry? Because of the very fact that it is an industry whose primary goal is to ensure a healthier and longer life of all living creatures, and the public should be informed on their accountability. Pharmaceutical companies have a great impact on society, and the final objective is to achieve sustainable society!

**Further research:** Proposed metrics synchronised with the theoretical model will be tested and applied using sources of four Croatian pharmaceutical companies.

## CONCLUSION

The pharmaceutical industry is one of the fastest growing industries in the world and it is globally linked, so that national identity is no longer the key factor. In global economy, they perform flexible purchasing strategy, they have global production structure, global marketing and global organization of R&D activities. In this globalised world, where everything is subdued to profits, socially responsible business activities gain significance also within the pharmaceutical industry and there are more and more demands for the implementation of the social responsibility principle in the business strategy of pharmaceutical companies. Although philanthropic activity of pharmaceutical companies is well-known, it cannot be sufficient; it rather demands greater social awareness toward consumers of pharmaceutical products, as well as environmental protection. This awareness is expressed through adequate and truthful reporting of all stakeholders.

In the countries of the Region which have adjusted to market way of earning money, pharmaceutical industry has also undergone transformation, but reporting on its accountability should be developed. Implementation of unified reporting standards, such as the GRI-3 guidelines, is not considered adequate for the pharmaceutical industry as well. Reporting should be synchronised with the mission of the pharmaceutical industry and include the basic drivers of socially responsible business activities in the strategy. The analysis of 12 pharmaceutical companies in the Region provided evaluation of reporting on social responsibility. The proposed model is that of a socially responsible pharmaceutical company which stresses humanitarian, social, ecological and economic aspect of business activities, which sets the objectives and measurement method. Adoption of special reporting regulations in the pharmaceutical industry which would be synchronised with CSR codes and norms should be taken into consideration within the Region.

## ENDNOTES

1. The basis of CSR has often been expressed in other terms, such as sustainable development, sustainability, business ethics, corporate responsibility, social responsibility, socially responsible investment, socially responsible business activities, corporate philanthropy, etc.
2. Various bodies and institutions founded in, for example, England - SustainAbility, The Institute of Social and Ethical AccountAbility, in Croatia Social Responsibility Community at the Chamber of Commerce, the World Business Council for Sustainable Development and many others, which adopt standards, recommendations, codices, etc.
3. Authors Hodges, A., Grayson, D. in their book *Corporate Social Opportunity – Seven Steps for a Successful Social Responsibility of Your Business*, 2004, introduce this term and believe that CRS should be observed as a social opportunity which should be analytically covered in seven steps in order for the management to understand the implications of CSR on their business strategy.
4. One of the fundamental principles of corporate management is responsibility, especially of management, supervisory and other boards to owners, employees, business partners and other stakeholders, which is pointed out through OECD principles of corporate governance adopted in 1999 and 2004 (*OECD Principles of Corporate Governance*).
5. Prakash Sethi, a management researcher and author developed in 1975 “Corporate Social Performance” model, which expressed and articulated three stages, from less to more engagement towards stakeholders: social obligation, social responsibility and social responsiveness.
6. The Global Reporting Initiative (GRI) –is a multi-stakeholder process and an independent institution whose mission is “to develop and disseminate globally applicable Sustainability Reporting Guidelines”. These guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions on their activities, products, and services. The GRI reporting framework is designed for use by organisations of any size, sector, or location. Started in 1997 in Amsterdam, the GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP). The GRI also works in co-operation with the UN Global Compact. From 2006, GRI 3 is in practice, which consists of 173 indicators.
7. Reports should be compiled in the way to publish the usage level of indicators from the Framework (C, C+, B, B+, A, A+).
8. In 2008 total revenue of 48 pharmaceutical companies amounted to 642 bill \$, and the 15 biggest (*Big Pharma*), 385 bill. \$, available at: [www.wikipedia.org/wiki/List\\_of\\_pharmaceutical\\_companies](http://www.wikipedia.org/wiki/List_of_pharmaceutical_companies), compared to Journal "Med Ad News Top 50 Pharmaceutical Companies Charts & Lists, Med Ad News, September 2008"

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