



CORPORATE SOCIAL RESPONSIBILITY IN THE PHARMACEUTICAL INDUSTRY – A REVIEW OF PHARMACEUTICAL COMPANIES IN THE UNITED STATES AND INDIA

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ABSTRACT

Corporate social responsibility is aimed at companies to be aware of the impact of their businesses on the society and on their own stakeholders. CSR is a business approach which contributes to the development of the society by delivering benefits to the stakeholders. According to the definition of Angelidis and Ibrahim (1993), corporate social responsibility is 'corporate social actions whose purpose is to satisfy social needs'. Many companies are trying to start different efforts to achieve CSR for their businesses. As CSR is a broad concept and not all companies can reach up to the standards of maintaining CSR. CSR in the field of marketing plays a major role as marketing is the key tool for customer satisfaction and building reputation. Marketing of products varies according to Industry. As CSR is becoming key for companies, business owners and management teams are concentrating on marketing of the products in a way that the standards comply to the CSR. Corporate Social Responsibility is essential for pharmaceutical industry as it is the largest health care industry which needs to give customers a great service. As every industry, pharmaceutical industry is looking to give back to the society and hence comes CSR into play. Sustaining health and healthcare products in various communities is raising the standard of living and brand loyalty. There are evidences that clearing negative public perception can relieve the excessive regulation which is now in place. This article focuses on the initiative that the pharmaceutical industry is taking in regard to CSR in the field of marketing.

KEY WORDS

Corporate social responsibility, Development, Pharmaceutical industry, Strategy, Brands, Management teams.

GLOBAL PHARMA INDUSTRY:

Pharmaceutical industry is a profitable industry and is running from a billion-dollar to a trillion-dollar industry. On a global scale, the pharmaceutical market revenue has crossed one trillion USD in 2014 for the first time and still counting (Statista, 2017). North America is responsible for the largest portion of these revenues (Statista, 2017). The Chinese pharmaceutical sector has shown highest growth rates over previous years. Different pharmaceutical companies have different revenue growth for every year. Pharmaceutical industry is under constant scrutiny regarding the way it operates

(Pharmiweb, 2005). The United States market, which captures 43% of worldwide pharmaceutical sales, is the world's largest market for pharmaceuticals, and is expected to encounter a growth of 8–9% in 2006 (Health, 2005). The largest pharmaceutical market after the US is the UK. According to the Association of the British Pharmaceutical Industry, Britain's pharmaceutical industry brought in a trade surplus of £ 3.6 billion in 2004, and after the U.S., the market share of pharmaceutical companies in Britain amounted to more than all its European competitors combined.

Medicines produced by the pharmaceutical companies are a key part of the delivery of an effective health service. The pharma marketing activities in recent days are increasing more on television as direct to consumer drug advertisements. These advertisements are creating a harm to the society directly and indirectly. The best way to comply with CSR is to provide correct information about the drugs and not to promote prescription drugs direct to the customers. But, In the United States, the advertising of prescription drugs on television is legal and this became a positive move for the pharmaceutical companies. Most of the drug advertisements are misleading and resulting in patients forcing the physicians to prescribe the drug which they have seen on the television ad. As the CSR has grown in importance in recent years, there is a decline in companies raising their profiles among the public in regard to the concept of CSR. CSR in pharma is different than other industries and the public has quite different ideas about the moral necessity of pharma's CSR obligation. The concept that medicine may be beyond a simple commodity has gained traction in business and public circles. This is because medicine saves lives and is a necessity, not a want.

"In recent years, product recalls in the pharmaceutical industry have become rampant and have increased dramatically" (Dickinson, 2001). In the United States, the request to return the defective products are volunteered by some of the manufacturers. This may be due to their own realization or may be due to the pressure from the FDA. The FDA has only right to recall the medical products if they think the products may cause harm to the health of the humans. CSR plays an important role as the pharma companies have to be loyal to the customers when selling their products and if more products are recalled by the consumers, it is a serious loss to the company. More laws and policies are also being implemented by the FDA to enhance the corporate social responsibility activities by the health care industry. The CSR practices can be increased by creating a competitive advantage in the health care sector.

In the United States, most of the pharma companies are not adhering to the rules and policies of the FDA regarding the CSR practices and as a result, the products and services that are being provided to the customers by the companies are resulting in regular recalls. Some companies are showing interest in the CSR activities and

working according to the rules, but some are not which is resulting in risking the patient's lives. Recent reports show that there is an increase in number of US companies focusing on CSR, not only pharma industry but every other industry as CSR plays an important role in a company's stability and standing in the United States.

Good practices in the pharmaceutical industry

Many countries are looking forward to providing best medicines and good healthcare for the people of their countries. These includes developing countries. As a part in achieving this goal of providing the best medicines to the people, many government organizations, non-government organization, many pharma companies formed a front and are working together to achieve the goal. To achieve this goal, they need to have financial support and research-based support to product new medicines and deliver it to the public. In many of these developing countries, one third of the population lack access to medicines and are under the poverty line. The developing countries front is working on making affordable medicines that a normal person can afford and also trying to deliver free medication for those who cannot afford any price at all. The first country involved in this project is the United Kingdom. More research and development are needed to develop medicine for life threatening disease conditions. Providing access to medicines for all people will work out in partnerships of different departments and businesses. Here, the role of the pharmaceutical companies is very important as they are the producers of the medicines and are the inventors of new medicines. Access to medicines for poor people is a CSR activity every country needs to follow, and it is the duty of every pharma company to abide to the law of CSR in giving back to the community in a good way. As good practices to be followed as part of CSR by the pharmaceutical companies to reach the goal of affordability of medicines by poor people, the key points are the development of affordable medicines by the pharma companies, the support of research and development team, market research about the competitors and impact of government policies on the countries.

Neglected Practices in pharmaceutical industry:

There are number of neglected practices that are being embraced by the pharma industry to dramatically improve corporate social responsibility. In an industry

where it takes an extraordinary amount of time to bring a medicine into the market, it is no surprise that companies bringing drugs into market do not want to share their knowledge, instead they choose to keep all the information to themselves in order to recoup the greatest return on investment. This means that healthy collaboration with those who could have valued the discovery of new drugs is never been fully embraced. Development of solutions that are accessible and affordable to people in all markets is one more neglected practice by the pharmaceutical industry. The pharmaceutical industry is focusing on bringing extremely expensive drugs into the market while spending more money and time on developing drugs. The next neglected practice is actively involving customers in corporate social responsibility efforts. In an industry that has the potential to save or take lives, it is quite remarkable that the active customer purchase to patient is not more fully integrated into CSR efforts. In some ways, it seems like the industry even though the role of scientists is important, the customers are playing a major role in the clinical trials and the development of newer drugs.

Strategic recommendations for CSR:

1. Pharmaceutical industry leaders must work to help their stakeholders understand how new business models focused on collaboration will help them prosper. Instead of working with a finite team of researchers, they must impress a model that is more focused on connecting people by actively seeking out knowledge from all corners of the world. This can be achieved by reaching out to everyone from other pharma companies to high school science teachers to people in rural villages who have seen how the disease impacts people in their community.
2. Explore practices, processes and partnerships that provide solutions for customers in new market.

This strategy will force the industry to identify ways to bring more cost-effective solutions to much larger market, the global market. Although solutions are developed for those in richest markets, there are markets undeserved markets that are in need of desperate help.

3. Create a channel that will facilitate bringing new, undiscovered talent to the industry. One of the greatest disadvantage in the pharma industry is that the R&D is done in small pods which are not interconnection. This means, research is duplicated to cross the industry in the name of competition. Over there, people all over the world who have bright minds and powerful solutions were never accessed. One of the best things that pharma can do to help facilitate corporate social responsibility is to create channels for ideas, discoveries, people and concerns can be shared by talent all over the globe.

Strategic CSR through healthcare:

Many pharmaceutical companies all over the world spend some amount from their budget towards the CSR activities. Mainly in India, it is important and most of the budget goes towards to the CSR as India is the major exporter of pharmaceutical products and healthcare products. "According to (Susanta Dutta, 2017), most of the pharma companies in India have spent almost 30-70% of their budget towards CSR".

CSR practices in India:

In India, CSR is taken as an obligation for private and public-sector enterprises. According to the CSR policy rules and companies Act 2013, every company which has a net worth of rupees 500 crore or a turnover of rupees 1000 crores or a net profit of rupees 5 crores should spend 2% of its profit towards CSR activities. The CSR activities should be mentioned in the format below according to the 2013 Act.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SINo.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs: (1) Local area or other; (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency	No. of Beneficiaries
1								
2								
3								

Source: (Susanta Datta, 2017)

Company wise CSR expenditure details for the financial year 2014-2015 and the financial year 2015-2016 in Indian Pharmaceutical companies.

Company Name	2014-15	2015-16	Grand Total (percentage)
Dr.Reddy's Laboratories Ltd.	28.71	41.20	69.92 (27.93%)
Cipla Ltd.	13.43	20.48	33.91 (13.55%)
Lupin Ltd.	12.58	20.51	33.09 (13.22%)
Cadila Healthcare Ltd.	10.82	16.46	27.27 (10.90%)
Aurobindo Pharma Ltd	8.13	18.76	26.89 (10.74%)
Sun Pharmaceutical Industries Ltd.	4.67	11.66	16.32 (6.52%)
Glaxosmithkline Pharmaceuticals Ltd.	Not Applicable	14.70	14.70 (5.87%)
Divi's Laboratories Ltd.	5.15	7.93	13.08 (5.23%)
IPCA Labs	6.97	4.80	11.77 (4.70%)
Jubilant Life Sciences Limited	1.56	1.78	3.35 (1.34%)
Grand Total	92.02	158.28	250.30 (100.00%)

Source: (Susanta Datta, 2017)

Examples of unethical cases to CSR in pharma industry:

The US Federal government recovered \$4 billion due to healthcare fraud in the past fiscal year. Also found some settlements in legal cases, such as GSK agreement to pay \$750 million for knowingly selling contaminated baby ointment and ineffective antidepressants. As companies scramble to counter negative public perceptions, corporate social responsibility (CSR) has taken on a new earnestness and appeal.

Examples of CSR initiatives in the pharmaceutical industry:

From Pfizer trying to relieve trachoma in Asia to Merck distributing HIV treatment through Africa, various industry programs have been implemented in many countries by many pharmaceutical industries. These companies are not only giving back to the society, access to medicine to all levels of population, but are focusing on the importance of adhering to ethical business practices.

New thinking:

As the concept of corporate social responsibility is gaining importance, it is discussed at high levels in many companies with a variety of interpretations thinking about what exactly is CSR. The exact meaning in regard to businesses and large organizations is the respect for employees, environmental responsibilities, and relationships with the local communities and fair trade with developing countries. There is no strict definition of CSR that suits all the businesses and companies and the activities they perform. CSR relies on interpretations of how commercial activities are understood in terms of integrity, fairness and respect for individuals. As a pharma company operates to generate profit, things that advocate CSR are essentially making the companies to look beyond how the decision-making process in their company impacts the commercial activities and effects the society around them.

Success of pharma companies adapting CSR:

CSR should be a concept that needs to be supported and implemented but not feared and discussed. It is a responsibility of every person and every industry and every company to be ethical in whatever we do. It needs to be for the good of the society around us and for the environment that we live in. Many pharmaceutical companies are moving in a good direction adapting the concept of CSR and trying to do well to the customers and give back to the society. The CSR credential of some companies are raising their profile amongst the public.

CONCLUSIONS

This paper was aimed at investigating the effect of CSR on the pharmaceutical companies in the United States and India and the CSR activities undertaken by the pharmaceutical companies. It also assesses the role of CSR recognition in the area of pharmaceutical product recalls, by analyzing whether differences existed in shareholder wealth impacts between companies. The CSR work is beginning in many countries by governments and by many pharmaceutical companies like Pfizer, and there is much left to do for the pharmaceutical industry to reach that place where we can see a balance of outcomes for people, planet and profits. As we implement these three strategies stated above, it is a vision that we will come closer finding that balance and eventually see the most undeserved population will have access to quality health outcomes.

I wish the primary stakeholders will embrace these efforts and at the end, both the industry and humanity will benefit.

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Informed consent: No humans are involved in the study

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