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**PERSPECTIVES ON  
CORPORATE SOCIAL RESPONSIBILITY**

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**2010**

**PERSPECTIVES ON  
CORPORATE SOCIAL RESPONSIBILITY**

**Corporate Approaches to Stakeholder Engagement in the  
Pharmaceutical Industry in the UK and Germany**

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## ABSTRACT

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**TITLE:** Perspectives on Corporate Social Responsibility

**AUTHOR:** L. O’Riordan

**KEYWORDS:** Corporate Social Responsibility (CSR); Pharmaceutical Industry; Management; Stakeholder Engagement; Conceptual Frameworks

This thesis addresses corporate approaches to CSR stakeholder engagement in the pharmaceutical industry in the UK and Germany. Its objective is to undertake mainly exploratory qualitative research to investigate how the selected sample manages CSR. The data was primarily accessed and collected from senior executives within major pharmaceutical companies. Multiple research methods were employed to gather rich new empirical evidence which focuses on the CSR practices and perceptions of CSR managers in both countries. To examine how this ‘sensitive’ sector responds to what could be termed the ‘CSR Challenge’, a critical realist perspective and six codes were chosen to map the practices and to compare similarities and differences between the two countries. This research contributes to the academic literature in this field by filling significant gaps in an area which was previously under-investigated. Ultimately, the findings are employed to examine a pre-specified framework which was originally developed by the author based on secondary data in separate research. Overall, the results inform, re-examine, and improve this recently published framework. The updated explanatory framework which results from the research is the main conceptual contribution of the thesis. It serves as a management tool which includes the contextual factors which influence decision-makers’ practices and perceptions portrayed as a set of inter-related management steps. This new conceptualisation is designed to be of practical use for decision-makers when managing their stakeholder engagement activities. As a result, this research is essentially applied and normative in nature. In addition, this work presents an original contribution to the literature in its field which should be of interest to academics.

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## **BACKGROUND**

This PhD thesis is submitted in December 2010 to fulfil the final requirement of part-time doctoral research at Bradford University School of Management in the UK under the supervision of Dr. Jenny Fairbrass and Professor Frank McDonald.

The personal and academic motivation for the research arises out of a long-standing interest in the topic of business ethics which originated from time spent during childhood in West Africa. From the perspective of a person who originates from a western industrialised scientific culture, based on a Christian, Eurocentric world view, those experiences triggered significant questions, concerns, and challenges. My resulting personal interest in human rights and the appropriate role for business in the third world dilemma initially sparked my academic interest in this area. My first academic publication comprised a thesis for a business studies degree entitled “Trans-national Corporations and the Third World” (O’Riordan, 1990). That thesis examined the ethics, dilemmas, and implications for business of marketing products to the third world. It concluded that contrary to the prevailing belief at the time, trans-national companies were one of the major sources of ‘support’ in the developing world.

In the meantime, many of the questions and challenges addressed in that thesis have resurged during my over twelve years of international business experience (mainly in the pharmaceutical industry in various general management functions in Europe and the US, but particularly in Germany, the UK, and Ireland). Working since 2004 as a lecturer at German Universities both facilitates and has re-kindled my interest in the academic study of CSR.

While much has been written on this topic over the last fifteen to twenty years, the realisation that past scholarship in the field of CSR stakeholder management for the pharmaceutical industry in the UK and Germany requires improvement provides both the academic and social rationale for undertaking this research.

## ACKNOWLEDGEMENTS

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## REMARK

The following related publications have previously appeared in the public domain:

- O’Riordan, L. and Fairbrass, J. (2008) ‘CSR - Theories, Models and Concepts in Stakeholder Dialogue – A Model for Decision-Makers in the Pharmaceutical Industry’ *Journal of Business Ethics* 83(4), 754-758
- O’Riordan, L. (2006) ‘CSR and Stakeholder Dialogue: Theory, Concepts, and Models for the Pharmaceutical Industry’ *MRES Dissertation* Bradford, UK: University Of Bradford
- O’Riordan, L. and Fairbrass, J. (2006) ‘Corporate Social Responsibility (CSR): Models and Theories in Stakeholder Dialogue’ Working Paper 06/45, School of Management, University of Bradford, November 2006
- O’Riordan, L. and Fairbrass, J. (2006) ‘CSR: Models and Theories in Stakeholder Dialogue’ Paper prepared for a *Corporate Responsibility Research Conference*, 4-5 September 2006 in Trinity College Dublin, Ireland
- Fairbrass, J., O’Riordan, L., Mirza H. (2005) ‘Corporate Social Responsibility: Differing Definitions and Practices?’ University of Bradford Conference Paper for Leeds BSE Conference

For clarification, this thesis comprises the author’s original work. Where any aspects of its contents have previously appeared in papers, presentations, or articles which were co-written together with the author’s PhD supervisors Dr. Jenny Fairbrass or Professor Dr. Hafiz Mirza, similarities to previous work are appropriately referenced.

## LIST OF ABBREVIATIONS

ABPI:	Association of British Pharmaceutical Industry
ACCA:	Association of Chartered Accountants, UK
BBDO:	Leading Marketing Communication and Advertising Agency in Germany
BITC:	Business in the Community
CR:	Corporate Responsibility
CSF:	Critical Success Factor(s)
CSR:	Corporate Social Responsibility
D:	Germany
EU:	European Union
EMAS:	Eco-Management and Audit Scheme
GRI:	Global Reporting Initiative
HR:	Human Resources
IBLF:	International Business Leaders Forum
IFPMA:	International Federation of Pharmaceutical Manufacturers' Associations
ILO:	International Labour Organisation
IMS:	Official Health Data Source for the Pharmaceutical Industry
ISO:	International Organisation for Standardisation
NMI:	Natural Market Institute
OECD:	Organisation for Economic Co-operation and Development
R & D:	Research and Development
TNC:	Trans-National Corporation
UK:	United Kingdom
UN:	United Nations
WBSCD:	World Business Council on Sustainable Development

## **GLOSSARY OF KEY TERMS**

**Pharmaceutical Industry** is defined as the collection of those public and private organisations involved in the discovery, development, manufacture, and/or selling of pharmaceutical products or preparations. Pharmaceutical products or preparations are defined to include drugs and medications, biotechnological products, medical diagnostics and devices, as well as medications to treat animals.

**Pharmaceutical Company in the UK and Germany** is defined as a single subsidiary of a pharmaceutical TNC operating either in the UK or Germany. This definition focuses on country of operation and not the original country of origin of those companies operating in this chosen location. For clarification, this means that for example if the subsidiary of a Danish or Japanese company ranks (according to industry statistics) as a leading company in the UK or German pharmaceutical market (see below), it is included as a prospective candidate in the target sample.

**Leading Pharmaceutical Company in the UK or Germany** is defined based on industry sales figures (IMS, 2006) and rankings of the leading pharmaceutical companies by sales turnover in both target country in the year 2006 (when the data collection was initiated).

**Society** is defined as a nation or a broad grouping of people having common traditions, values, institutions, and collective activities and interests. Accordingly, business relationships exist with communities at all levels from global to national (e.g. countries), to local (e.g. cities) and business communities (e.g. consumers, investors, minorities etc.). For clarification, a society's pluralistic nature (i.e. the diffusion or degree of decentralisation and diversity of power) determines the relationships between business and society relationships among society's many groups and organisations (Buchholtz and Carroll, 2009:8).

**Stakeholders** are defined as those groups and individuals who can affect or are affected by the achievement of an organisation's mission (Freeman (1984:52) or all those with a critical eye on corporate actors (Bowmann-Larsen and Wiggen 2004).

**Stakeholder Management** constitutes a whole range of formal and informal business activities including production, marketing, accounting, human resources, and so on. It involves the decision-making processes of planning, leading, organising, implementing and controlling stakeholder engagement. This includes managing business relationships via policies, practices, and programmes such as stakeholder prioritisation and other choices about how to engage with stakeholders (adapted from Crane and Matten, 2004:144).

**Stakeholder Engagement** is defined as practices to involve stakeholders in a positive manner in organisational activities (Greenwood, 2007:317). It comprises establishing, developing, and maintaining stakeholder relations. This includes stakeholder identification, consultation, communication, dialogue, and exchange (Burchell and Cook, 2006; Greenwood, 2007:322).

**CSR (Corporate Social Responsibility)** CSR is defined as the integration of social and environmental values within a company's core business operations and [...] engagement with stakeholders to improve the well-being of society (World Business Council on Sustainable Development 2002:6).

**CSR Behaviour** is defined as a combination of approach, management, and policy. Six codes are chosen to examine the relevant characteristics of responsible stakeholder management. They form the basis upon which the data is collected, analysed and presented. They include:

- **Terminology:** This code is defined as the label(s) or term(s) chosen by the target companies to communicate their socially responsible activities.
- **Stakeholders:** This code is defined to include: the presence of or reference to the word 'stakeholder' on the company website; evidence of its use and relevance to CSR; and how stakeholders are identified and prioritised.

- **Communication/Dialogue:** This code is defined (based on the definition of stakeholder dialogue) as a vehicle for the exchange of CSR offerings between the firm and its societal publics or stakeholders (Murray and Vogel 1997:142). This research specifically illuminates this ‘exchange’ on aspects including how companies *engage* in stakeholder dialogue with the target companies. Accordingly, this code includes the concept of *stakeholder engagement* which is examined based on five specific indicators. These include ease of contact partner identification, helpfulness, speed and intensity of response, CSR knowledge and professionalism, and interest in continuing the dialogue. Other engagement aspects are addressed in the subsequent three codes.
- **Organisation/Governance:** This code is defined as the internal management aspect involving how the target companies organise and position specific groups or functions with responsibility for managing CSR. It includes whether CSR is managed in a centralised or decentralised way by the target companies. While the external governance system (including legal requirements, adopted by or imposed upon companies in their operating environment) may influence CSR practice, this variable focuses more on *how* CSR stakeholder engagement is actually conducted internally.
- **Projects:** This code is defined as the activities or policies (e.g. codes of conduct/other guidelines) undertaken within the claimed scope of socially responsible activities.
- **Expectations:** This code is defined as the likely benefits which are envisaged to be achieved by investing resources in socially responsible activities.

For clarification, from amidst the range of terminology from which to label responsible business practices, the term ‘CSR’ (i.e. corporate social responsibility) has been chosen to signify the concept of CSR defined above (WBSCD, 2002:6). This choice is based on the rationale of this term’s frequent adoption in Europe (e.g. Fairbrass *et al*, 2005; Crane and Matten, 2007).