

Recruitment Perspectives

Strengthening corporate social responsibility in the pharmaceutical industry

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Abstract As corporate social responsibility (CSR) becomes increasingly critical to the sustainability of large pharmaceutical companies, the CSR function will become central to business strategy and will be led by a new breed of senior executives.

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INTRODUCTION

It started off as a fad, just like Total Quality Management 15 years ago. However, today there is no doubt that corporate social responsibility (CSR) is an issue that the pharmaceutical industry is taking very seriously.

CSR is still at an early stage in its development as a new business discipline. One of the impacts of this is that when managers are asked what CSR contributes to their company, there is little consistency in their responses. The general consensus, however, is that if CSR is not at the centre of the company's operations, there is fundamental risk to the business. Within the pharmaceutical industry these risks range from the medical profession refusing to prescribe drugs and state agencies having to make decisions about repayments, to potential investors deciding not to invest or current investors selling their shares. Any of these issues could lead to highly negative media coverage.

Now that investment banks and ratings agencies are becoming increasingly interested in companies' positions on issues such as climate change, clinical-trials policies and corporate citizenship more broadly, there is no doubt that pharmaceutical firms' CSR strategies have a direct impact on their businesses. And having a presence in the Dow Jones Sustainability Index or in the FTSE4Good Index Series is now a pre-requisite for large quoted pharmaceutical companies.

THE MAJOR CSR CHALLENGES FOR THE PHARMACEUTICAL INDUSTRY

The pharmaceutical sector faces a highly complex stakeholder universe of patients, health professionals, scientific and patient associations, the media, regulators, political authorities and the general public. They all need to be carefully managed as part of a firm's CSR strategy and often have different views about the industry.

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For example, pharmaceutical companies are often regarded with considerable suspicion by the population at large in the Western world, which has a tendency to think that the industry overcharges for its products, that it carries out irresponsible animal testing and that there should be unlimited access to pharmaceutical products. At the same time, pharmaceutical companies are under increasing pressure from governments and regulators to cut costs and restrict access to their products. The lack of basic medicines in the developing world is also often perceived to be the fault of pharmaceutical companies. The downsizing that has resulted from mergers and acquisitions, relocations and failed product launches have not helped the industry's image either.

One of the repercussions of these issues is the need for pharmaceutical companies' CSR strategies to focus on three key areas.

First, pharmas must be more transparent and better at communicating their policies and procedures for testing and marketing products. For instance, the strict internal and external ethical regulatory systems (FDA and EMEA), now universally integrated and applied within the industry, need to be better understood by the public. Furthermore, the ongoing debate about the trade-off between patents and access to medicines in developing countries, highlighted by the Novartis Glivec case in India, needs to be resolved in order to maintain maximum levels of product R&D and to ensure as wide access as possible to medicine. More effective communication will play an important role here.

Secondly, the pharmaceutical industry is likely to face a more challenging people management environment in the future. To be fair, the industry has a good track record in this area to date — it is particularly strong in employee relations issues such as diversity, remuneration, and personal and professional development as

well as employee engagement in charitable activities. We, however, expect that HR will become tougher for the industry as it witnesses increased employee churn on the back of potential employee uncertainty caused by both further consolidation and by expansion in developing and emerging markets.

Finally, the industry will need to manage ongoing environmental challenges relating to procurement, waste management and the efficient use of key resources like water. Water management will be particularly important in the expanding bio products sector which tends to require large amounts of the commodity during the manufacturing process.

CSR LEADERSHIP

A wide variety of initiatives and a lack of standardised terminology makes an analysis of the industry's approach to CSR difficult. For example, in the US the concept of 'sustainable development' is dominant, and there is a focus on the environment. In continental Europe and in the UK, the term 'social responsibility' is used more extensively and there is more emphasis on social programmes.

Given the youth of the CSR discipline a best-practice business model has not yet evolved. However, the vast majority of the world's top 20 public pharmaceutical companies tend to position the CSR function within their Communications or Public Affairs departments. In the past, responsibility for CSR resided in a broader range of departments, including Human Resources and Legal Affairs.

Furthermore, some of the major players have incorporated CSR into Access Management, a new division that has evolved from Government Affairs. The arguments for embedding CSR in to Access Management are:

- Access is part of senior management and sometimes the Executive Committee, so has influence on business strategy.

- It handles relations at the highest level with stakeholders, particularly with state agencies, and knows the tone of market opinion.
- In most cases, Access is the group responsible for external communication and maintains close links with the media.
- The division is responsible for companies' pharmacoeconomics and clearly communicates the cost savings and value added benefits of products to each stakeholder community.
- Although not yet widespread, key account management groups within sales divisions are starting to report to Access, which reflects the growing influence of Access Management in business operations.
- Ultimately, as Access Management is the key channel between the business and its stakeholders it is in the best position to drive CSR strategy.

Our expectation is that it will become increasingly common for the CSR function to be part of Access, as a central part of the Executive Committee's

corporate strategy group. We also expect that a new breed of professional will evolve to lead CSR strategy. They must possess a rare combination of capabilities — high social and environmental awareness, an understanding of how to do business within differing regulatory frameworks across the world, considerable interpersonal skills, the ability to motivate and manage diverse stakeholder groups and experience in influencing at the highest levels.

Where will the new leaders come from? The most likely candidates will be senior executives from the medical and healthcare industries, typically with public affairs experience. However, this pool of candidates is relatively small; hence many pharma companies will need to adopt a creative approach to attracting talent for CSR leadership roles, perhaps from less obvious industries such as retail, food, energy and utilities.