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Responsible Stakeholder Engagement
A Comparison of Corporate Approaches in
the UK & German Pharmaceutical Industry

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Linda O’Riordan / Jenny Fairbrass

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Responsible Stakeholder Engagement

A Comparison of Corporate Approaches
in the UK & German Pharmaceutical Industry

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Abstract

A broad-ranging and comprehensive set of significant, persistent, complex events, such as climate change and the global economic crisis, which have arguably been caused by man-made and/or natural events, are calling into question the essential role and strategic purpose of business in society. Identifying and accepting responsibility for those aspects of the business which are of greatest concern to stakeholders is being increasingly recognised as key to achieving strategic success. Responsible stakeholder engagement addresses a quality of management which focuses on an organisation’s ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large. Positioned within that general context, this paper focuses on the healthcare sector and the specific stakeholder engagement of the pharmaceutical industry in the UK and Germany. Prompted by the controversial nature of its business activities, it presents a comparative empirical study that critically explores and examines the stakeholder engagement practices of leading pharmaceutical companies.

Keywords: stakeholder engagement, role of business in society, pharmaceutical industry, responsible business practices

Table of contents

Table of Figures.....	IV
1 Introduction.....	1
1.1 Background.....	1
1.2 Study Focus.....	2
1.3 Research Gap.....	3
1.4 Research Objective, Questions, and Approach	4
1.5 Structure Outline.....	5
2 Underpinning Literature and Conceptual Frameworks.....	6
2.1 Overview.....	6
2.2 Responsible Management.....	6
2.3 Responsible Stakeholder Engagement	7
2.4 The Pharmaceutical Industry.....	8
2.5 A Critical Review of Relevant Conceptual Frameworks.....	9
2.6 Responsible Stakeholder Engagement: Six Analytical Codes	9
2.7 Responsible Stakeholder Engagement in the UK and Germany	13
2.8 Determining Factors	14
3 Research Design	15
4 Findings	17
4.1 Overview.....	17
4.2 Pharmaceutical Company Responsible Stakeholder Practices	17
4.2.1 Terminology.....	17
4.2.2 Stakeholders.....	19
4.2.3 Communication.....	20
4.2.4 Organisation/Governance.....	22
4.2.5 Projects/Activities.....	22
4.2.6 Expectations	23
4.3 Anglo-German Comparison.....	24
4.4 Factors Influencing Responsible Stakeholder Practices	27
5 Discussion	31
6 Conclusion.....	33
7 Epilogue.....	36
References	37

Table of Figures

Figure 1: Terminology: Overview of Terminology Employed	18
Figure 2: Communication: Overview of Responsible Business Activities	21
Figure 3: Expectations: Overview of Key Issues	24
Figure 4: Overview of Similarities and Differences of Responsible Business Practices.....	26
Figure 5: Summary of Internal and External Influencing Factors.....	28

1 Introduction

1.1 Background

The essential strategic purpose and role of business in society is being called into question by the consequences of significant, persistent, complex issues, arising from adverse man-made and/or natural events. Climate change, pollution, the global financial crisis, poverty, as well as access to healthcare and education, are just some of the issues which affect organisations, their stakeholders, and/or the general public. The inherent comprehensive and broad-ranging challenges involved in responding to these issues are provoking a fundamental re-appraisal of a ‘license to operate’ (e.g. Ulrich & Fluri, 1995) and an ‘unspoken contract’ between business and society. Significantly, however, in addition to posing potential threats, they simultaneously trigger commercial prospects which can serve to ‘legitimise’ the business activities (e.g. Haniffa & Cooke, 2005, p. 3; Woodward, 2001, p. 357; Campbell, 2000; Gray, Kouhy & Lavers, 1995, p. 52; Lindblom, 1994; Stark, 1994). Finding business opportunities in societal and environmental challenges is, as a result, a key step in creating shared value (Porter & Kramer, 2006 & 2011). The quest to practice sustainable business via a stakeholder approach (e.g. Freeman, 1984 & 2010) is consequently re-defining the debate with respect to the roles and responsibilities of business in general.

To elaborate, the recent financial crisis has provoked a fundamental re-appraisal of the role of business in society, which has prompted a new urgency regarding questions concerning the essential strategic purpose of business in its operating environment (see for example May, Cheney, & Roper, 2007). Arguably, these developments have led to game-changing consequences which are re-defining the roles and responsibilities of many of the major stakeholders in society (Peters & Roess, 2010, p.8).

A key possible positive effect of the recent economic collapse is an increased public awareness which is acting as a catalyst to trigger a necessary and elementary re-consideration of societies’ understanding with respect to how business will create its future sustainable wealth via new business models (see for example Jonker, 2012 and Jonker, O’Riordan & Marsh, 2015). Moreover, climate change issues have been highlighted by political leaders including U.S. Secretary of State John Kerry, U.N. Secretary-General Ban ki-Moon, and Peru’s President Ollanta Humala, as an enormous opportunity for industry. Significantly, these leaders have exhorted the private sector to play a bigger role in addressing such issues based on the rationale that “it makes good business sense” (Reuters,

2014). Specifically, in an impassioned plea at the Lima climate negotiators meeting, U.S. Secretary of State John Kerry urged all stakeholders to

“...put aside their concerns over individual responsibility, and to focus instead on pitching in to do all they can to forge an international agreement to slow – and eventually reverse – the effects of climate change” (United Nations, 2015).

1.2 Study Focus

The general advice and encouragement offered by leading international figures with respect to climate change combined with the recent emerging insights pertaining to the innovation potential of new business models highlight a call for new management solutions, which could be interpreted as particularly relevant in the quest to identify a new way forward for the highly ‘sensitive’ pharmaceutical business. The controversial nature of the pharmaceutical sector’s activities could be considered to especially expose this industry to particularly strong skeptical stakeholder attention (see for example Ethical Corp, 2009). Consequently, the pharmaceutical industry has been chosen as a uniquely interesting case study to research the theme of responsible stakeholder engagement, owing to its distinctive characteristics. Critically, because pharmaceutical companies tend to have a business model which invests profits to fuel constant innovation of new medicines and treatments, they also tend to attract highly acute attention. This arguably leads critics to expect large and successful pharmaceutical companies to give high priority to their social responsibilities (e.g. O’Riordan, 2010, pp.44-51). In actual fact however, the industry’s past stance regarding the distribution of essential healthcare products and services in society in general, but specifically in developing countries, has often generated a predominantly negative public perception (Miles, Munilla, & Covin, 2002; O’Riordan, 2006, p. 15). Furthermore, the industry’s position on issues such as patents, pricing, patient access to medication, marketing expenditures, animal testing, as well as its research and development procedures have given rise to complaints from society that the decision-makers involved have made business choices which espouse economic profits over a more ‘noble’ interest of saving human lives (O’Riordan, 2010, p. 49). As a result, decision-makers in this industry face particularly complicated challenges surrounding the way in which they balance the competing interests of their various stakeholders when developing, producing, and marketing their core products and services (e.g. Silberhorn & Warren, 2007). Consequently, the pharmaceutical sector could be considered to present a very vivid example of

some of the particularly challenging social questions associated with managing corporate approaches to responsible stakeholder engagement. These acutely complicated features form the rationale for the decision to focus on the pharmaceutical industry in this research.

1.3 Research Gap

A comprehensive review of the past scholarship in the field of corporate approaches to responsible stakeholder engagement suggests that the topic of healthcare in the pharmaceutical sector has been under-researched. The need for fresh research on this theme became evident during an extensive review of previous relevant academic literature which revealed a significant lack of empirical data relating to the pharmaceutical industry and its stakeholder engagement activities (see for example O’Riordan, 2010; O’Riordan and Fairbrass, 2014).

More specifically, an examination of the extant scholarship revealed that the evidence regarding the business tools and techniques employed when managing firm-stakeholder relationships in general was limited (Crane & Matten, 2010, p. 224; O’Riordan, 2010, p. 5; O’Riordan and Fairbrass, 2014). When the pharmaceutical industry was specifically considered, the review of the literature revealed that despite the controversial nature of this sector’s business activities (see for example O’Riordan, 2006; Silberhorn & Warren, 2007; ISO, 2010, pp.65-6), the theme of corporate approaches to responsible stakeholder management for this sector has been under-researched. Notwithstanding the lack of research focusing specifically on how stakeholder engagement is managed by this industrial sector, past scholarship clearly indicates that managers in general need to expand the role of stakeholders in corporate responsibility processes if they wish to improve their efforts to build legitimacy, a positive reputation, and lasting stakeholder relationships (see for example Donaldson & O’Toole, 2007, pp.21-26; Werther & Chandler, 2011).

1.4 Research Objective, Questions, and Approach

To address the identified gaps in past scholarship which were noted in the previous section, this study aims to explore how decision-makers in the pharmaceutical industry in the UK and Germany manage their stakeholder engagement activities¹.

Designing a research study which relates to questions concerning what constitutes ‘responsible strategic business responses’ requires insights into management perceptions and practices. Bearing in mind that the pharmaceutical industry tends to operate on a multi-national or global scale, such research by definition addresses key questions concerning social obligations and justice within the context of diverse cultural and other influencing factors (Hofstede, 2015; O’Riordan, 2010; Dersesky, 2000). In the case of the research undertaken and reported in this paper, two European Union (EU) countries: namely, the UK and Germany have been purposefully chosen to both develop and anchor the research perspective. By exploring how pharmaceutical firms manage their stakeholder engagement activities in these two countries, this approach aims to achieve a deeper understanding of the norms, ideas, rationales and influencing factors which may affect this industry. The two countries were specifically selected because past scholarship pointed to some important contrasting political, historical, and cultural environments in which the stakeholder management policies and strategies of the companies are developed (e.g. Habisch, Jonker, Wegner, & Schmidpeter, 2005). Crucially however, no research exists from which to assess the degree of similarity or difference between these two countries with respect to the responsible practices employed by the pharmaceutical firms. In response, this study combines both a geographic and an industry focus to both contextualise the research and to provide a more solid foundation for discussing the theme of corporate approaches to responsible stakeholder engagement.

Accordingly, this paper addresses the research gaps identified in the relevant field of research by focusing on three key research questions. First, what

¹ For clarification, this paper equates the term ‘responsible management’ with sustainable business practices that are based on triple bottom line principles aimed at ultimately creating shared value. Within this context ‘stakeholder engagement’ is defined as an inclusive practice which obliges an organisation to involve stakeholders in identifying, understanding, responding, and reporting on sustainability issues and concerns. Within that context, stakeholder engagement is interpreted as a fundamental accountability mechanism and management activity based on the rationale that it enables organisations to explain and be answerable to stakeholders for its decisions, actions, and performance.

stakeholder engagement practices do the chosen companies in the UK and Germany undertake? Second, are there similarities and differences between the stakeholder management practices adopted? Third, what factors appear to influence the identified practices?

The study combines conceptual underpinnings with rich qualitative empirical research data, to answer these questions. The data were collected during a five year exploratory research project which employed multiple research methods. The main findings reveal the perceptions and practices of senior pharmaceutical company managers with respect to six purposefully-selected codes which were chosen to represent responsible practices, including: the terminology they employ; their prioritisation of stakeholder interests and demands; communication; organisation and governance; projects/activities; as well as expectations. These themes are further addressed in greater detail below.

1.5 Structure Outline

To answer the research questions above, this paper is structured as follows. First, key concepts are derived from the relevant academic literature. Then, the methodology is briefly outlined. Next the research findings² are presented and the management and academic implications of these findings are discussed and evaluated (O’Riordan, 2010). Finally, the paper concludes by summarising the overall research contribution and suggesting recommendations for future research.

² The research results presented in this paper are based on evidence which was obtained in separate research (O’Riordan, 2010). If required, that research is available upon specific request by email.

2 Underpinning Literature and Conceptual Frameworks

2.1 Overview

The literature review highlighted that past scholarship yields some important contributions. For instance, the survey of past research showed that there are some (albeit fragmented but) useful concepts and frameworks which can be employed on an isolated basis to characterise the nature of stakeholder engagement specific to the pharmaceutical industry and to uncover possible determining causal factors for the similarities and differences in stakeholder engagement practices in the UK and German operating landscape. The remainder of this section now examines these aspects.

2.2 Responsible Management

The general academic literature on topics which are directly related to responsible management is considerable and continually growing (see for example Werther & Chandler, 2011). Relevant concepts and themes include the relationship between business and society (e.g. Fifka & Adai, 2015; UN Global Compact, 2012; Ruggie, 2011; Carroll & Buchholz, 2009; Eisenhardt, 1989), stakeholders (e.g. Freemann, 1984; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010), stakeholder engagement (e.g. Mitchell, Agle, & Wood, 1997), stakeholder management (Greenwood, 2007), corporate sustainability (Schwartz & Carroll, 2008), CSR (e.g. Carroll, 1991) and business ethics (e.g. ISO 26000:2011), the triple bottom line concept (e.g. Elkington, 1997), and social reporting/accounting, as well as human resource management (e.g. Gray, Kouhy, & Lavers, 1995; Greenwood, 2007), and business ethics education and training (e.g. O’Riordan, Zmuda, & Heinemann, 2015; Matten & Moon, 2008). Despite the abundance of past scholarship surrounding these aspects of responsible management in general, there is a significant absence of research which precisely explains *how* stakeholder engagement is managed in practice and which exposes its determining factors (Murray & Vogel, 1997; Ferrell, Fraedrick & Ferrell, 2010; O’Riordan, 2010).

This deficiency requires attention because an underlying concept of responsible management is the triple bottom line approach (Elkington, 1997), which suggests that managers need to invest time and resources to establish a more equitable balance of broader stakeholder interests when developing their business strategies. Ongoing developments in the contextual environment in which business operates, including globalisation, climate change, demographic trends,

and the global economic crisis, have led to increased pressure on both public and private budgets and spending. This tension is triggering a range of new stakeholder expectations that are being amplified by technological progress in the field of information availability and communication (Jonker, Stark, & Tewes, 2011, p. 22). These developments have re-kindled active debate on the subject of responsible business behaviour and the impact of an organisation’s business model or value chain processes (Jonker, O’Riordan, & Marsh, 2013) on society and the environment. While the debate surrounding these dynamics includes varying inter-related concepts including: Business Ethics; Corporate Social Responsibility (CSR); Corporate Citizenship (CC); and Sustainability (see for example O’Riordan & Zmuda, 2015, p. 476 for further details), we purposefully focus our attention in this study on the selected specific theme of ‘responsible stakeholder engagement’.

2.3 Responsible Stakeholder Engagement

A recent Deloitte Report on Stakeholder Engagement (Deloitte, 2014) highlights how companies need to “remain relevant” in order to survive in a challenging business environment. It stresses that “being relevant” requires regular interaction with important stakeholder groups. This pre-supposes robust stakeholder engagement so that companies are able to understand and respond to legitimate stakeholder concerns.

In line with Freeman’s original definition of stakeholders (Freeman, 1984), the AccountAbility Institute (Accountability, 2015) defines stakeholders in its AccountAbility 1000 Stakeholder Engagement Standard as

“...those groups who affect and/or could be affected by an organisation’s activities, products, or services and associated performance” (*ibid.*, 2011, p. 6).

It emphasises that organisations will by definition typically have many stakeholders, including for example, customers, employees, local communities, as well as investors, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns.

Within this broader definition of stakeholders, stakeholder engagement is defined as “... the process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes” (AA1000, 2011, p 6). The same institute emphasises that while stakeholder engagement is not a new concept, it has widely become accepted as crucial to an organisation’s success. This is in part

due to the principle of inclusivity which encourages including the interests and participation of stakeholders when taking strategic business decisions with the ultimate aim of developing and achieving an accountable and strategic response to sustainable triple bottom line value creation (AA1000, 2011, pp. 4 & 6).

These definitions position stakeholder engagement as a tool which organisations can use to help them to achieve inclusivity. Since stakeholder engagement obliges an organisation to involve stakeholders in identifying, understanding, responding, and reporting on sustainability issues and concerns³, it is now becoming recognised as a fundamental accountability mechanism. Within this context, stakeholder engagement is interpreted as a management activity which enables organisations to explain and be answerable to stakeholders for decisions, actions, and performance (AA1000, 2011, p. 6).

2.4 The Pharmaceutical Industry

Notwithstanding the general gaps in the literature on the theme of corporate approaches to responsible stakeholder management *per se*, a more specific review of the past scholarship in this broad-ranging field identifies that apart from some of the most recent work which the authors have undertaken in this field (i.e. O’Riordan and Fairbrass, 2008), studies which specifically address stakeholder engagement practices in the pharmaceutical sector are limited and/or outdated (O’Riordan, 2010). Whilst some of the more general literature which addresses relevant themes, such as varying approaches to managing stakeholder relationships, specifically do include examples of pharmaceutical companies (see for example Blum-Kusterer & Hussain 2001; Morsing & Schultz, 2006), and other studies do address related issues, such as moral aspects of distributive justice regarding ethical obligations of pharmaceutical companies to charge fair prices for essential medicines (e.g. Spinello, 1992), many relate to specific themes, such as governance and accounting practices (e.g. Lee, Sridhar, & Patel, 2009). While some later studies explicitly address relevant themes including ‘reputation’, and more recently, ‘shared value’ (e.g. Porter & Kramer, 2006 & 2011), and ‘strategic issues’ (e.g. Kessel, 2014), their geographic, sector focus is broad. Consequently, a review of the comprehensive literature in this field reveals that the theme of corporate approaches to responsible stakeholder engagement in the context of the UK and German pharmaceutical sector has been under-

³ Defined as aspects related to: “Meeting the needs of the present world without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 1).

researched. As a result, key aspects of the practical challenges faced by decision-makers in this industry when attempting to balance the competing interests of various their stakeholders have been largely ignored.

2.5 A Critical Review of Relevant Conceptual Frameworks

While many aspects of the general responsible management literature could be applied to the pharmaceutical industry (see for example a detailed list of relevant literature in O’Riordan and Fairbrass, 2008, p. 749), and although some past scholarship does specifically address the theme of conceptual frameworks, such as the one developed by Brammer & Pavelin (2004), which emphasises the need, for the purposes of reputation building, for fit between responsible activities and other key characteristics of the firm, it is not clear whether these concepts are relevant or applicable for pharmaceutical companies in the practical management of stakeholder engagement activities. Furthermore, most of the approaches reviewed deliver fragmented perspectives of responsible management. Accordingly, they are deemed limited in scope, and, as a result, not sufficient in their own right in providing a comprehensive framework to explain responsible stakeholder engagement practice (e.g. O’Riordan, 2010, p. 52).

2.6 Responsible Stakeholder Engagement: Six Analytical Codes

Given that a comprehensive review of the literature in this field suggests that the topic of corporate approaches to responsible stakeholder engagement has been under-researched to date, previous research published by the authors explored the key contributions to the literature in this field (see O’Riordan and Fairbrass, 2008, p. 749 for further details). That study culminated in the development of a framework which aimed to identify the pertinent factors in responsible stakeholder engagement (see the research design section for further details). Drawing from the insights provided by the original O’Riordan and Fairbrass (2008) study, as well as subsequent separate research (see O’Riordan, 2010, pp. 56-73 for further details), six codes were identified, which are intended to characterise the nature of responsible stakeholder engagement in the Pharmaceutical Industry. The remainder of this section briefly presents these codes. Their conceptual underpinnings were interpreted from the aforementioned review of past scholarship in the field, which suggested that they signify potentially useful codes with which to analyse and portray responsible stakeholder engagement.

First, with respect to *terminology*, the many terms employed to signify responsible management imply differing meanings which creates confusion about what each concept means, or should mean, and how each might relate to the others (see for example Schwartz & Carroll 2008, p. 149). The existing evidence merely points in general terms to the possibility of potential diversity with respect to definitions in the terminology adopted (O’Riordan, 2006; May, Cheney, & Roper, 2007, p. 8). As a result, ‘practitioner terminology’ is merely *inferred* to play a key role in corporate responsibility management (e.g. Crane & Matten 2004:67). In addition, past scholarship suggests that industry has been uncomfortable with the language used in business ethics (Schwartz & Carroll, 2008). In this context, the moral aspect of responsibility introduces a subjective sphere to stakeholder management, which generates challenges when attempting to measure outcomes for both business and society from a value-neutral perspective (see for example Küpper, 2011, pp 140-144; and Homann & Lüttge, 2005). In this regard, the literature emphasises the significance of paying close attention to the dynamics of language and visual imagery concerning the range of terms used instead of or alongside the term ‘CSR’ (May, Cheney, & Roper, 2007). Significantly, however, past scholarship does not specify precisely which terminology is employed by the target firms when managing their stakeholder engagement.

Second, fresh research was required to clearly identify how *stakeholder interests and demands are prioritised* by companies (Maignan and Ferrell, 2003; Burchell & Cook, 2008). In this regard, past literature neither discloses the perceptions and practices behind this ranking nor how the process is managed. In particular, stakeholder prioritisation and relationships with respect to ‘power’, ‘legitimacy’ and ‘urgency’ (Mitchell, Agle, & Wood, 1997; Murray & Vogel, 1997) are interpreted as a relevant area of investigation because past scholarship fails to reveal which stakeholders are considered key by the pharmaceutical industry (see for example Burchell & Cook, 2006).

Third, data which reveals how responsible stakeholder engagement responses are *communicated* to those identified stakeholders (Gouldson, Lidskog, Wester-Herber, 2007; Greenwood, 2007; ISO, 2011) was needed because detailed analysis of the pharmaceutical industry was lacking with respect to the processes and practices employed (O’Riordan and Fairbrass, 2008 & 2014). Given the crucial role of communication in responsible management and stakeholder dialogue, communication methods in stakeholder relationships are interpreted as a relevant topic to examine in the study, in order to uncover the particular processes and practices employed by the pharmaceutical industry.

Fourth, past scholarship further failed to specifically detail how responsible stakeholder engagement was *organised* or *governed* (e.g. Hond, Bakker, & Neergaard, 2007). The literature review revealed that it was unclear whether responsible stakeholder engagement is organised via a centralised or decentralised approach and how this affects or is affected by the corporate culture. This is significant because voluntary nature of responsible management (e.g. Ferrell, Fraedrick, & Ferrell, 2010, pp. 268-70) is possibly the reason why the literature on the strategic integration of responsibility into business models was under-developed (Denchev, 2005). Crucially however, the failure to integrate and embed a corporate responsibility strategy into core business activities (e.g. Porter & Kramer, 2006) could cause inadequate stakeholder engagement due to a lack of enabling resources, structure, and accordingly commitment. Given that this aspect could pose a barrier to unlocking the full value of a business’ potential (CSR Europe, 2009), qualitative research was required to document the cognitive aspects of how managers respond to stakeholders’ expectations (Laplume, Sonpar, & Litz, 2008). A further key organisation/governance issue is the nature of responsible management itself, which incorporates both the challenge of ‘ethical relativism’, previously noted under terminology above, as well as the requirement to balance various triple bottom-line interests when deciding how to manage in a responsible way (e.g. Ferrell, Fraedrick & Ferrell, 2010, pp. 233-82). In general, the discretionary nature of responsible management means that it was conceptualised as either a corporate or a managerial response (Hond, Bakker, & Neergaard, 2007, pp.123). As the various roles and job descriptions which comprise the business organisation may create opportunities for unethical behaviour (e.g. Ferrell, Fraedrick, & Ferrell, 2010, pp. 302-12), the general literature suggests that the organisational structure is important in the study of responsible management. Crucially, this lack of research could create an obstacle to releasing businesses’ potential (CSR Europe, 2009) because the literature concerning the pharmaceutical industry in this field is incomplete.

Fifth, the academic literature insufficiently illuminated the variety of *projects/activities* that have emerged in the corporate portfolio of accountable⁴ practices (e.g. Waddock, 2002, p. 219) of pharmaceutical companies in the UK and Germany. As a result, internal company stakeholder engagement activities in the pharmaceutical industry were unclear and under-researched. This is

⁴ For clarification, the authors interpret stakeholder engagement as a fundamental accountability mechanism and management activity based on the rationale that it enables organisations to explain and be answerable to stakeholders for its decisions, actions, and performance.

significant because the literature in general suggests that responsible management is not always evident at operational level (Gouldson, 2002; Crane & Matten, 2007, pp. 145). Since past scholarship suggests that responsible principles do not always translate into stakeholder engagement practices, the existence of gaps between claimed responsible ‘rhetoric’ and the ‘reality’ of actual responsible practice required exploration (O’Riordan and Fairbrass, 2008).

Sixth, with respect to *expectations* regarding the likely outcome of investing business resources in responsible activities, although there are many good business reasons why it might be advantageous for companies to act in a ‘social manner’ as described by Friedman (1970) and subsequently by Porter & Kramer (2006) in their shared value paper, the literature does not reveal details regarding the primary motivations of the decision-makers in this target group. The general lack of transparency regarding how the target decision-makers specifically manage their stakeholder engagement activities significantly highlights an ambiguity with respect to the expectations regarding the likely outcome of investing business resources in responsible activities. Accordingly, while some authors suggest that employees might be attracted to work for, and be more committed to, corporations which are perceived as being socially responsible (e.g. Greening and Turban, 2000), the explicit benefits and costs which motivate responsible business behaviour are far from clear (Crane and Matten, 2010). This means that while pharmaceutical companies and associations claim (and deliver statistics to support) active responsible practice (delivered via stakeholder engagement) as part of their basic business model (see for example IFPMA, 2009), the actual *impact* of these practices is uncertain. In this regard, previous literature has produced mixed, inconclusive, and controversial results for measuring responsible performance (e.g. Welford & Gilbert, 2008; Crane & Matten, 2010, p. 60), and the outcomes of stakeholder dialogue (e.g. Burchell & Cook, 2008, pp. 42). This implies that the leadership mindset required investigation to more explicitly identify how responsible stakeholder engagement is defined, managed, and consequently measured. To address this gap, the research study was designed to examine this target group’s corporate responsibility expectations.

In summary, a critical examination of past empirical and conceptual research in the relevant field of study indicated the need for fresh exploratory research with respect to the specific practices related to the six themes of responsible management identified above. Consequently, this literature review established part of the rationale for the first research question which sought to identify:

What responsible stakeholder practices are undertaken by the target sample with respect to these six attributes?

2.7 Responsible Stakeholder Engagement in the UK and Germany

Given the strategic importance of the pharmaceutical industry in the UK and Germany (ABPI, 2010; VFI, 2010), these two countries are chosen because the literature suggests that the concept of “corporate responsibility orientation in different cultural settings” is still quite unexplored both in literature and in empirical research (e.g. Sachs, Groth, & Schmitt, 2010).

More specifically, a review of past scholarship highlights that there is insufficient research on the subject of possible similarities and differences in responsible stakeholder engagement activities between the UK and Germany (Habisch, Jonker, Wegner, & Schmidpeter, 2005). Essentially, the rationale for potential differences is based on an anticipated Anglo-Saxon version of corporate responsibility in the UK, which leans more towards the US-capitalist system’s ‘shareholder value’, in contrast with the capitalist-socialist system of ‘stakeholder capitalism’ followed in Germany (e.g. Martin, 2010), due to diverse historical, political, cultural institutions (e.g. Matten & Moon, 2008). Significantly, these contextual complications could signify national differences in how the surveyed businesses manage their company-stakeholder relationships (e.g. Hofstede, 1997; Chapple & Moon, 2005).

In summary, this appraisal of the past scholarship has triggered the requirement for fresh exploratory research with respect to the specific stakeholder engagement practices undertaken by the target group in the UK and Germany. This review establishes part of the rationale for the second research question which seeks to identify:

Do similarities and differences exist between the responsible stakeholder practices undertaken by the target sample?

Overall, the purpose of the research enquiry was to fill these gaps in order to better understand whether these differences could have an impact on how responsible stakeholder engagement is practiced in each country.

2.8 Determining Factors

Similarly, the literature review , which searched for possible determining causal factors for the similarities and differences identified during the comparative research, indicated that there is a lack of empirical evidence that could show whether and how the corporate responsibility principles which have been stated by the industry, translate into *actual* stakeholder engagement *practices* (e.g. ISO 2010, pp.77-9). Consequently, an assessment of past scholarship also prompted a requirement for fresh exploratory research in order to more specifically identify the determining causal factors for the similarities and differences in the stakeholder engagement practices which were revealed during the comparative research. This leads to the third research question which seeks to identify:

What factors appear to influence the responsible stakeholder practices undertaken by the target sample?

3 Research Design

To address the identified lacunae, the empirical research findings which are selectively reported in this paper, form one part of a wider research project which more broadly addressed corporate perspectives in responsible stakeholder management (O’Riordan, 2010). That wider research study is primarily a qualitative examination of the responsible management practices of senior business executives in major pharmaceutical companies in the UK and Germany. In brief, the research study employed a comparative, case-study approach and mixed methodologies to collect data between 2005 and 2010 via four different methods of data collection. These included: documentary analysis of thirty-eight company websites and reports; a telephone survey which generated forty-six completed questionnaires; observation of the responsible stakeholder engagement practices of one hundred and forty-two pharmaceutical companies; and eighteen in-depth interviews.

More specifically, given the strategic importance of the pharmaceutical industry in the UK and Germany (ABPI 2010; VFI 2010), these two countries are chosen in a multiple case study approach to add geographic substance to the enquiry. These countries are selected because they are institutionally similar but they do have some inherent contextual differences. This choice is justified on the grounds that a comparison of responsible behaviour within a European setting should provide illumination about the target sample’s responsible practices. This assessment is necessary because comparative work regarding how decision-makers in the pharmaceutical industry manage their response to their stakeholders was missing (O’Riordan, 2010, p. 63).

Essentially, this paper presents the key findings from the empirical study which was undertaken to validate the elements which were originally proposed in a framework which was developed by the authors in separate research (see O’Riordan and Fairbrass, 2008, p. 749). That framework was developed because a previous study revealed that while the past scholarship held some clear merit, a new conceptual framework was needed, which could more precisely address the concepts, elements, and processes specific to managing responsible stakeholder engagement in the pharmaceutical industry. To remedy this shortcoming, a framework was built from secondary data as one of the preliminary phases in a previous separate study (O’Riordan, 2006). That framework attempted to portray those factors which were interpreted to be the key determinants when managing the stakeholder engagement process. In overview, they included the elements: ‘context’, ‘stakeholders’, ‘event’, and

‘management response’. However, because those components were exclusively inferred from secondary data, fresh primary data was required to test the validity of the proposed framework (O’Riordan, 2006).

The resulting data from the wider research project (O’Riordan, 2010) which was undertaken to validate that framework was analysed and is now presented in summary in the next section via a set of six codes. The underlying rationale for those codes was previously explained in detail in the literature review above.

4 Findings

4.1 Overview

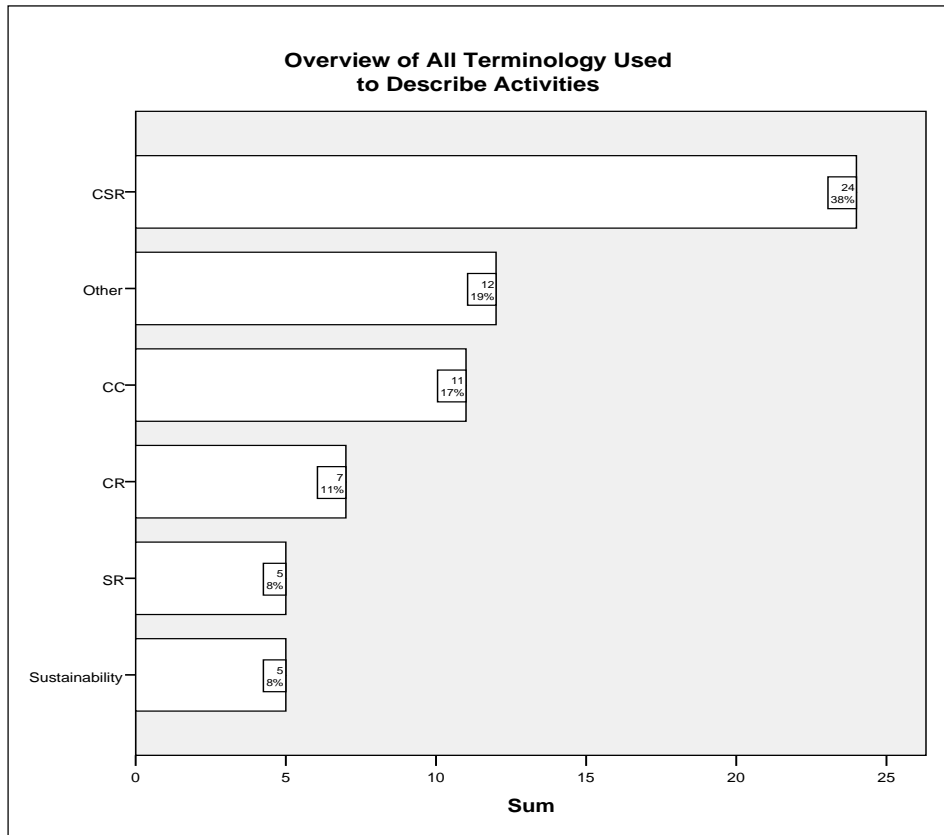
This section presents fresh empirical data (O’Riordan, 2010) which builds on past research that investigated other industries (e.g. Acutt, Medina-Ross, O’Riordan, 2004; Burchell & Cook, 2006 & 2008), to answer the three research questions introduced above. In overview, these new findings reveal a diverse, inter-active, and dynamic concept of stakeholder engagement among the selected pharmaceutical companies in the UK and Germany. The remainder of this section presents the findings with respect to each of the three research questions.

4.2 Pharmaceutical Company Responsible Stakeholder Practices

The six codes presented in the previous sections which emerged from an analysis of the extant literature as salient in responsible stakeholder engagement, are now employed to present a summary of findings from the wider research project undertaken.

4.2.1 Terminology

The evidence from documentary analysis and the telephone survey provide consistent data which exposes the frequent use of multiple, continually evolving terminologies. The data indicates that while the term ‘Corporate Social Responsibility (CSR)’ is the most frequently adopted to reflect responsible business practice, pharmaceutical companies in both countries typically employ a multiple and diverse range of often individualised labels. Figure 1 below illustrates the specific terms which are employed by this target group to communicate its responsible activities to its stakeholders.

Figure 1: Terminology: Overview of Terminology Employed* **:

Source: Telephone Survey (O’Riordan, 2010, p. 160)

* For clarification please note that multiple responses were possible in this response.

**** Key:**

CSR = Corporate Social Responsibility

Other = Individualised term generated internally by the company

CC = Corporate Citizenship

CR = Corporate Responsibility

SR = Social Responsibility

In summary, by furnishing insights into the terminology adopted by the target segment, the findings with respect to this code provide initial important leads in the quest to establish how decision-makers in the pharmaceutical industry in the UK and Germany interpret responsible business practice. Significantly, this evidence confirms the claims made in past scholarship that ‘CSR’ is the term which is most frequently used in Europe (e.g. Chapple & Moon, 2005; O’Riordan, 2006; Crane & Matten, 2010, p.82)⁵. Importantly, the evidence from in-depth interviews additionally suggests that the terminology adopted has evolved and is fashioned by contextual influences, as well as some measure of uncertainty regarding meaning and significance. The interviews further reveal that actual practices are judged to be more salient in responsible management than the terminology employed to communicate those practices.

4.2.2 Stakeholders

The examination generated results which reveal both the *precise role* (i.e. importance) of the *stakeholder concept* in the responsible practices, as well as *which*, and *how*, stakeholders are targeted. In overview, the data reveal a diverse range of responsible stakeholder activities. The evidence indicates that despite the confirmed salience of the stakeholder ‘concept’ in the *conceptualisation phase* of responsible management, the term ‘stakeholder’ is not always explicitly employed when *communicating* responsible practices. Crucially however, the data indicates that although it may not be overtly communicated by the surveyed firms, *stakeholder theory* is relevant in responsible management. Significantly, stakeholder prioritisation is revealed as evolving and task-dependent rather than on generic pre-ranking as suggested in previous literature (e.g. Trebeck 2008, pp.352 & 357).

However, the findings confirm past scholarship about stakeholder rankings (e.g. Burchell & Cook, 2006; Crane & Matten, 2010, p. 62) by indicating that decision-makers in this target group prioritise ‘customers’ (in this case typically physicians and patients) and ‘employees’ as their most important stakeholders. This evidence expands on previous literature by revealing that ‘Non-Governmental Organisations (NGOs)’ emerge as the least salient stakeholders for this target group. Further, the results enhance past scholarship by suggesting that internal

⁵ These findings derive from a wider study. For further details see O’Riordan, 2010, p.159-65.

‘company directors’ are ranked the highest on relevance in active consultation/dialogue.

Significantly, these findings provide new evidence about stakeholder ranking practices in the pharmaceutical industry which highlight a *task-specific approach* to stakeholder prioritisation rather than pre-selection of generic groups. Most importantly, in line with previous research (e.g. Pedersen, 2006), the data indicates how the task of managing stakeholder expectations poses a complex challenge for pharmaceutical decision-makers. Consequently, these fresh findings highlight this target group’s uncertainty regarding how to optimally balance stakeholder expectations in their responsible business strategy responses. To a certain degree, these results help to explain the diverse dilemmas identified in other more general aspects of responsible business practice⁶.

4.2.3 Communication

The evidence highlights a landscape of highly visible and explicit communication of stakeholder engagement practices (particularly via company websites). More specifically, the in-depth interview findings furnish results which confirm high levels of overt communication of responsible business practices by the target pharmaceutical companies to their stakeholders. The documentary analysis findings indicate that eighty-four percent of those screened (16 companies) addressed their responsible business undertakings prominently and explicitly in text on their home (or main/front) page(s) via the label ‘CSR’ or using another label. Additionally, the documentary analysis reveals the communication of a diverse range of activities and the wide variation of responsibility-related themes/activities on the company websites selected (O’Riordan, 2010, p. 173). Figure 2 below provides an overview list of these themes.

⁶ These findings derive from a wider study. For further details see O’Riordan, 2010, pp. 166-72.

Figure 2: Communication: Overview of Responsible Business Activities*:

<u>Activity Mentioned</u>	<u>Mentions*</u>	<u>Company</u>
Commitment to: Society / Community / locally etc. (incl. social commitment and caring)	12	Altana; Astra; Bayer, GSK; Lilly; Merck; Novartis; NovoNordisk; Pfizer; P&G; Roche; and Wyeth
Ecological Environment / Nature	12	Astra; Bayer, Boehringer; BMS; GSK; J&J; Lilly; Merck; P&G; Reckitt Benckiser; Roche; and Wyeth
Patient / Health / Safety	11	Boehringer; BMS; J&J; Lilly; Merck, Novartis, Pfizer; Roche; Sanofi-Aventis; Servier; and Wyeth
Specific company projects being undertaken	9	Altana; Astra; Bayer, BMS; J&J; NovoNordisk; Pfizer; Sanofi-Aventis; and Wyeth
Employees (and their) families / Workforce / Workplace	7	GSK; Lilly; Merck; P&G; Roche; Sanofi-Aventis; and Servier
.Access to Medicines / Helping those in Need / Enabling Access / Patient Assistance	6	Astra; BMS; GSK; Merck; Roche and Wyeth
Reporting / Transparency	6	Astra; Bayer; GSK; Merck; NovoNordisk; and Roche
Education/Training	3	BMS; Lilly; Wyeth
Ethnic / Cultural Diversity	3	Altana; Bayer; and J&J
Good Clinical Practice	3	BMS; Lilly; Roche
Honesty / Values / Integrity	2	BMS; Merck
Human Rights	2	GSK and Lilly
Innovation	2	Boehringer; NovoNordisk
Key Issues & Challenges	2	Bayer; Novartis
Management / Measurement / Control	2	Astra; Reckitt Benckiser
Outcomes / Milestones	2	NovoNordisk; Novartis
Philanthropy	2	BMS; Lilly
Biotechnology	1	Astra
Legitimisation of Activities	1	NovoNordisk
Rewards / Recognition	1	NovoNordisk
Social Acceptance	1	Altana

* Multiple responses were possible for this question

Source: Documentary Analysis from company websites (O’Riordan, 2010, p. 174)

In summary, assuming that these stated claims go beyond mere rhetoric, these findings indicate the importance of stakeholder engagement as a key component of responsible business practice for the target group as suggested in the more general literature (e.g. Burchell & Cook, 2006; Greenwood, 2007)⁷.

4.2.4 Organisation/Governance

Consistent with the findings presented in the previous sections, the empirical data collected indicates a diverse, dynamic, activity-based approach to responsible organisation and governance. Essentially, the evidence reveals that responsible management spans a range of business functions. This indicates why corporate responsibility is a complex management task which is rarely undertaken by one dedicated department. Rather, multi-functional networks of responsible designated individuals address corporate responsibility at business/operational level. Further, these networks are guided by both centralised (i.e. global/from headquarters), as well as decentralised principles. This confirms a management approach based on a concept which has been termed ‘glocalisation’ in previous literature (Trompenaars and Hampden-Turner, 2004, p. 3). The evidence obtained explicitly reveals how centralised guidelines are implemented depending on the company’s evolutionary stage of responsible development at local affiliate level. Under this approach, the Public Relations department typically plays a notably pivotal role in stakeholder engagement/dialogue.

Significantly, the evidence presented in this section is new in the sense that it illuminates organisational aspects of responsible business practice which expands the previous literature (e.g. Maon, Lindgreen, & Swaen, 2008) at a level not previously addressed in past scholarship for this sector⁸.

4.2.5 Projects/Activities

The evidence uncovers a patchwork of projects/activities. This comprises both philanthropic and integrative practices. *Philanthropic* projects focus on investing business resources in social projects which are external to the business. *Integrative* projects aim to assimilate responsible business principles based on a long-term sustainable strategy into across all business functions and corporate

⁷ These findings comprise excerpts from a wider study. For further details see O’Riordan, 2010, pp.173-84.

⁸ These findings comprise excerpts from a wider study. For further details see O’Riordan, 2010, pp.184-91.

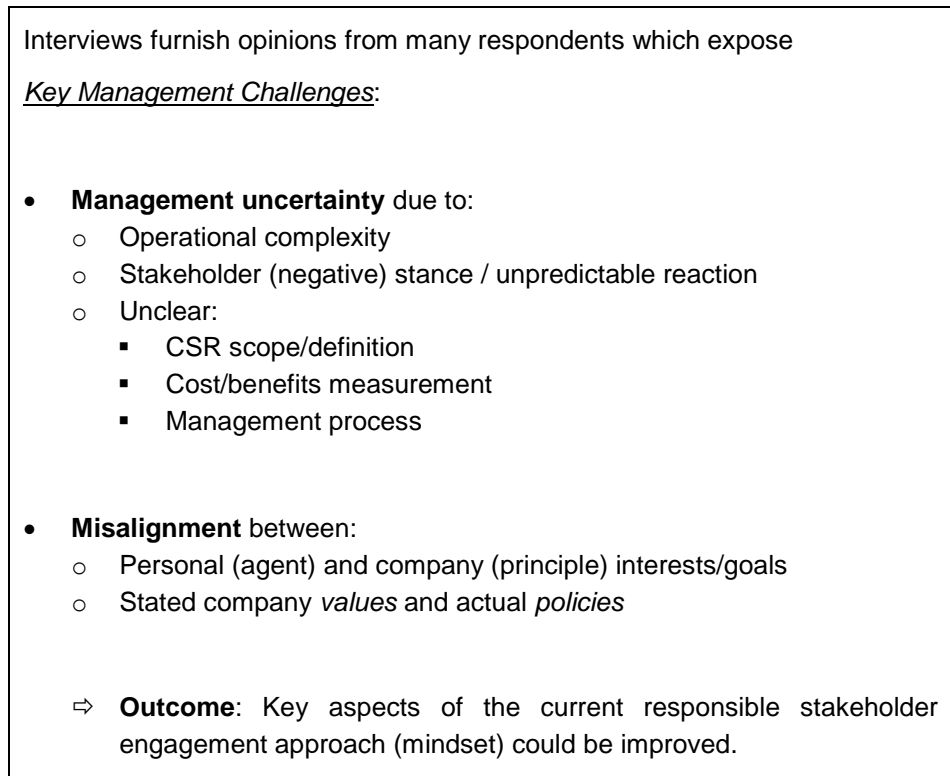
systems. These findings⁹ are significant because they help to reveal the diverse nature of the activities undertaken in the name of responsible business activities, as well as the strategic nature of the impact of the resources invested at a level of detail which was not previously addressed in past scholarship.

4.2.6 Expectations

The findings additionally reveal a range of stakeholder expectations regarding the likely outcomes of investing business resources in responsible business practices. These include the likely benefits, as well as the costs, which are envisaged by the managers in the sample to accrue from undertaking responsible activities. Essentially, the data indicates that responsible business practice is perceived by the firms to potentially positively affect their image/reputation. However, because the presently understood benefits are largely intangible in nature, they are deemed difficult to quantify and accordingly, to *measure*. Significantly, data from two instrument sources consistently further reveal, that rather than being interpreted as a differentiating factor which could innovatively lead to reliable and sustainable competitive advantage, responsible business practice is generally perceived by decision-makers as an *expense* to the business. These findings highlight key areas of both uncertainty and ineffectiveness surrounding responsible stakeholder practice for the pharmaceutical industries in the UK and Germany. In short, this evidence essentially confirms the wider academic literature which highlights the complexity of attempting to balance stakeholders’ interests within the ambiguous nature of corporate responsibility (e.g. May, *Cheney*, & *Roper*, 2007; Carroll & Buchholtz, 2009)¹⁰. The triangulated empirical findings which reveal the challenges and uncertainty inherent in responsible management are summarised in Figure 3.

⁹ These findings derive from a wider study. For further details see O’Riordan, 2010, pp.191-8.

¹⁰ These findings derive from a wider study. For further details see O’Riordan, 2010, pp. 198-203.

Figure 3: Expectations: Overview of Key Issues:

Source: (Adapted from O’Riordan, 2010, p. 402)

4.3 Anglo-German Comparison

The research tested for and confirms some degree of national difference in responsible management behaviour. An analysis of the evidence gathered to examine the stakeholder engagement practices in the UK and Germany (O’Riordan, 2010) indicates broad similarities between the pharmaceutical companies in the two countries. However, the data also reveals some national differences, supporting previous research on the subject (see for example Habisch, Jonker, Wegner, & Schmidpeter, 2005).

More specifically, data from the in-depth interviews suggests that the similarities between the UK and German companies may be explained by the centralised nature of responsibility within companies, and by the homogenising influence of the EU and international guidelines (O’Riordan, 2010). Nevertheless, despite the

similarities reported by some of the pharmaceutical managers in the UK and Germany, there is also evidence which points to the existence of some national differences. These take the form of de-centralised practices at affiliate level. Significantly, this evidence substantiates the anticipated Anglo-Saxon version of responsible management in the UK in comparison with the Rhineland model socialist-capitalism noted in past scholarship (e.g. Chapple & Moon, 2005). The empirical findings presented in this section with respect to similarities and differences of responsible business practices in the UK and Germany are summarised in Figure 4.

Figure 4: Overview of Similarities and Differences of Responsible Business Practices:

Codes/Factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Similarities	<ul style="list-style-type: none"> Similarity due to centralised approach 	<ul style="list-style-type: none"> General similarity in both countries 	<ul style="list-style-type: none"> Similarity due to centralised approach 	<ul style="list-style-type: none"> Similarity due to centralised approach <u>but</u> structures are complex and evolving 	<ul style="list-style-type: none"> Similar themes and codes of conduct 	<ul style="list-style-type: none"> Similarity in management challenges for both countries
Differences	<ul style="list-style-type: none"> More German terms on German sites Terms ‘CSR’ & ‘Sustainability’ used more often in D More diversity in use of terms in D and higher standardisation in UK 	<ul style="list-style-type: none"> Some difference in attitude / approach Stronger business focus in UK Stronger emphasis on society in D 	<ul style="list-style-type: none"> Lack of standardised approach Diversity in message conveyed on website Higher responsiveness in D Diverse approach due to need for local sensitivity 	<ul style="list-style-type: none"> Some diversity in decentralised activities Higher tendency for dedicated corporate responsibility division in D Responder: <ul style="list-style-type: none"> - CEO more often in D - Marketing manager more often in UK 	<ul style="list-style-type: none"> Limited diversity Higher environmental regulation in D 	<ul style="list-style-type: none"> Possible difference in perceptions with respect to meaning of ‘value’ and role of ‘company’ between the two countries

Source: (Adapted from O’Riordan, 2010, p. 263)

Key: UK = United Kingdom; D = Germany

Following this review of the similarities and differences in the stakeholder engagement practices of senior pharmaceutical managers in a UK and German setting, the next section now turns to address the factors which may influence the behaviour identified in order to seek to explain why these differences could be believed to have an impact on how responsible is practiced in each country.

4.4 Factors Influencing Responsible Stakeholder Practices

The evidence indicates that decision-makers in the pharmaceutical industry in the UK and Germany prioritise and engage with their stakeholders following an approach which is based on their (mis)perceptions and (mis)understandings. These are inferred to derive from a range of both external and internal factors. The *external factors* appear to be determined by contextual factors which include the political, economic, social, and technological (PEST) environments, stakeholder pressure (e.g. media influence), industry/competitor activity, and their business role/activity. On the other hand, the *internal factors* which seem to determine the target groups’ response to stakeholders’ expectations include the company culture: that is, the leadership mindset driven by values and personal (moral) interest. These determine the company vision/mission. Further, the data suggests that the company profile (including size, origin, type, success), as well as the business aims and objectives (such as differentiation or internal/external communication), influence stakeholder practices. Significantly, the evidence also suggests that the company’s internal stage of development with respect to corporate responsibility activities plays a key role in its responsible business practices. The combined empirical findings presented in this section with respect to the factors influencing responsible management practices are summarised in Figure 5.

Figure 5: Summary of Internal and External Influencing Factors (I):

Codes/Factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Internal	<ul style="list-style-type: none"> Evolution in expectations regarding companies role in society Business objectives & activities influence stakeholder stance and communication 	<ul style="list-style-type: none"> Evolution in societal roles and expectations regarding rights and obligations Company stage of evolution Business activity Task at hand Perceived outcome expectations 	<ul style="list-style-type: none"> Decision-maker’s wish to portray ethical intent Business objectives, activity & profile determines: <ul style="list-style-type: none"> Varying impact opportunity of responsible activity Individual approach to language / labeling used 	<ul style="list-style-type: none"> Mindset (personal values & moral awareness) Company culture Size Resources Structure Evolution stage Decision-maker’s understanding of evolving perceptions 	<ul style="list-style-type: none"> Approach to responsible business Leaders’ mind-set on philanthropic or integrative strategy Salience of : <ul style="list-style-type: none"> Evolutionary stage Eraining 	<ul style="list-style-type: none"> Leadership mindset (personal values & moral awareness) Intangible nature of responsibility: Assumed perception of what determines value Measurement and outcome challenges Uncertainty

Summary of Internal and External Influencing Factors (II):

Codes/Factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
External	<ul style="list-style-type: none"> Evolution in expectations regarding companies role in society History, politics & language may influence perceptions 	<ul style="list-style-type: none"> Evolution in expectations regarding companies role in society PEST factors 	<ul style="list-style-type: none"> Cultural aspects e.g. PEST affects roles and expectations Expectations are evolving New opportunities to create greater responsibility impact 	<ul style="list-style-type: none"> PEST factors affect roles and expectation 	<ul style="list-style-type: none"> PEST factors: Regulations; Tax; Societal need 	<ul style="list-style-type: none"> PEST factors affect roles and expectation

Source: (Adapted from O’Riordan, 2010, p. 331)

Key: UK = United Kingdom; D = Germany

In summary, these findings imply that external and internal contextual factors could have an impact on how responsible business *per se* and, stakeholder engagement specifically, is practiced in each country. Overall, the evidence suggests that external PEST factors, combined with internal culturally-guided practices (often based on global ethical principles such as the UN Global Compact & Ruggie’s Principles (2012)) lead to a ‘glocalised’ management approach. Significantly, these determinants help to explain the similarities and differences identified in the responsible management practices of senior pharmaceutical managers in a UK and German setting.

5 Discussion

The findings presented in this paper enhance the existing scholarship by providing data which characterises the nature of responsible stakeholder engagement in the target countries. More specifically, the study delivers results which help to answer three important research questions with regard to six selected practices, differences and similarities, as well as influencing factors. In particular, the fresh data presented in this paper contributes both to the academic literature and to responsible business management in three specific ways.

First, the research focuses on some significant gaps with respect to the responsible stakeholder procedures and practices undertaken by the target sample in this field which were previously under-investigated. By providing fresh empirical data relating to stakeholder engagement practices in this industry, the findings augment the extant literature by helping to explain the similarities and differences which were identified with respect to six specific aspects of responsible management activities. These include precisely *how* pharmaceutical firms in the UK and Germany manage their stakeholder engagement activities and what perceptions influence these practices i.e. *why they chose them*.

Second, the evidence presented in this paper supplements past literature by conducting an Anglo-German comparison of the responsible business practices of the pharmaceutical industry to investigate some of the potential differences. This approach tests for and confirms some degree of national differences in responsible management behaviour, as suggested by previous research (Habisch, Jonker, Wegner, & Schmidpeter, 2005; Matten & Moon, 2008).

Third, the research examines the precise contextual factors which influence the practical management of responsible business which a review of the extant literature (e.g. Murray & Vogel, 1997; Hond, Bakker, & Neergaard, 2007; Welford and Gilbert, 2008; Ferrell, Fraedrick & Ferrell, 2010; Crane & Matten, 2010, p. 224) identified to be incomplete. By exposing the factors which influence the responsible business practices of the target group, these findings build on the previous literature (see for example Crane and Matten, 2010, pp. 161, 151 & 495; Donaldson and O’Toole, 2007, p.29).

Most significantly, these findings suggest that contextualisation has an impact on how stakeholder engagement is practiced. The results with respect to the pharmaceutical industry in the UK and Germany suggest that, in this setting, external and internal contextual factors play a role in determining the similarities and differences in the practices revealed. Consequently, the evidence suggests

that circumstantial factors with respect to the external operating PEST environment combined with internal aspects, such as the nature of the business activities, its size and success could impact how responsible management is practiced in each country. However, the degree to which these differences might result in varying implementations of responsible management goes beyond this research scope and is the subject for further research.

6 Conclusion

This paper presents and discusses fresh empirical data which is employed to explore and compare the nature of responsible business practices amongst pharmaceutical companies in the UK and Germany. The findings comprise one of the pioneering and seminal attempts to explore and evaluate the responsible stakeholder engagement perceptions and practices of leading pharmaceutical companies in the UK and Germany. The main contribution is the fresh empirical research presented to investigate the specific *modus operandi* employed by decision-makers in the two countries which has been purposefully selected from a wider five-year research project (O’Riordan, 2010). By illuminating how the chosen sector manages its stakeholder engagement activities, the evidence advances past scholarship by revealing in greater detail how managers in the surveyed group balance social and environmental aspects alongside their economic goals (Elkington, 1997). The paper additionally explores the degree of the differences and similarities amongst the firms. In so doing, it provides an explanation for the patterns observed and indicates the likely determining factors which could influence the behaviour under investigation.

Overall, the results show that responsible stakeholder engagement responses are still *evolving*. They indicate that whilst the *concepts* of responsibility underlying the stakeholder engagement practices adopted differ in certain respects, the actual stakeholder engagement and management *activities* of the UK and Germany firms are broadly similar. Notably, the findings importantly identify that responsible business practice is *influenced by a range of internal and external contextual factors* (O’Riordan, 2010).

The findings add value because they explore an area which the literature suggests is important in this field. In addition to studying key factors related to how responsible business impact is defined via six purposefully-chosen codes, contextual factors involving the varying institutional, political, and cultural contexts in the UK and Germany, as well as the elusive nature of responsible management itself due to the discretionary nature (Carroll, 1979; Ferrell, Fraedrick, & Ferrell, 2010, p. 282), and the influence of the leadership mindset (motivation) which is noted to have a profound role in shaping ethical decisions (Crane and Matten, 2010, p. 224) are revealed.

In addition to their academic value, these research results are intended to be of practical use to decision-makers when managing their stakeholder engagement activities. Given that the moral aspect of responsibility introduces a subjective sphere to stakeholder management, which, as a result, generates challenges

when attempting to measure outcomes for both business and society from a value neutral perspective, the findings presented in this paper with respect to the theme of *expectations* highlight the crucial requirement to progress the concept of responsible stakeholder management and individual accountability out of the normative realm of subjective values or beliefs (morals and ethics), and into the scientific sphere of empirical testing (e.g. Küpper, 2011, pp. 140-144). Consequently, in line with the academic empirical or ‘value-neutral approach’ to business¹¹, this progression could help to obtain the most optimal outcomes for both business and society (e.g. Homann & Lüttge, 2005) without the burden of a normative stance (O’Riordan & Zmuda, 2015, pp. 486). While recognising that inherent values undoubtedly influence human behaviour¹², this approach attempts to focus the discussion of responsible behaviour on judgements relating to the scientific realm of measurable results and impact, and away from the subjective sphere of motivations, intentions, and morals¹³.

Crucially, in addition to a value neutral position to responsible management, a prerequisite for addressing the complicated questions regarding the general acceptance of business in society is the emergence of a new quality of management, which focuses on an organisation’s ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large (see for example GRI, 2015). In the quest for a better way forward with respect to managing their stakeholder responsibilities, the complex and broad-ranging context of social challenges such as access to healthcare, offer decision-makers in the pharmaceutical industry the unique opportunity to reconsider the essential role and strategic purpose of their business choices. When contemplating their choice options, responsible stakeholder engagement involves identifying and accepting responsibility for those aspects of the business which are of greatest concern to its stakeholders. Significantly, making business choices from a (stakeholder) value optimisation perspective, as opposed to a profit maximisation (shareholder) perspective, is being increasingly recognised as key to achieving strategic success. Responsible stakeholder engagement can, as a result, serve to identify opportunities and to circumvent risks, which may ultimately lead to accountability, transparency, and credibility. This new ‘inclusive’ approach advocates an underlying leadership mindset, which views commerce,

¹¹ For example, along the lines proposed by Max Weber (1988 & 1917).

¹² For example, in line with social constructionism and empiricism as an idealist approach to knowledge construction (see for example Smith, 2003, p.131)

¹³ In the words of Shakespeare (1992): “...for there is nothing either good or bad, but thinking makes it so”[!] (Hamlet, Act 2, Scene 2).

society, and environmental restoration as inter-dependent and equally valuable in the long run. The resulting stakeholder engagement activities focus on creating future, collective, collaborative, long-term sustainable wealth via business strategies which are inherently designed to increase the general well-being of humankind via a combination of creative invention and an innovative, humanist philosophy towards the role of business in society (e.g. Hawken, 1993; O’Riordan and Fairbrass, 2008, pp. 746 & 2014). In particular for the healthcare sector and the specific stakeholder engagement of the pharmaceutical industry in the UK and Germany, the enormous latent need world-wide for access to healthcare solutions holds a huge source of latent demand for those decision-makers who recognise its potential. This highlights the importance of stakeholder engagement activities, which could be deemed responsible if they focus on the commercial business purpose of finding strategic business opportunities in solving social and environmental challenges. To counteract the controversial nature of its past business activities, serving this market need via sustainable, innovative, collaborative concepts and processes, such as those inherent in currently emerging concepts including the circular economy and new business models (e.g. Jonker, O’Riordan & Marsh, 2015), is potentially an opportunity for creating sustainable value worth pursuing.

7 Epilogue

The evidence gathered and presented in this paper does lead to further research. Initially, the findings were employed to test a stakeholder engagement framework which was subsequently further developed via some supplementary research¹⁴ (O’Riordan, 2006; O’Riordan and Fairbrass, 2008; O’Riordan and Fairbrass, 2010). In doing so, these findings contribute to the academic literature by providing a data-base from which to explore, examine, update, and thereby improve that original conceptual framework. Consequently, by filling some important gaps in the evidence, the data obtained for this study, which reveals how decision-makers in the pharmaceutical industry manage their responsible business activities, facilitates the development of new management frameworks which are designed to help decision-makers in the pharmaceutical business when managing their responsible stakeholder engagement activities. The findings presented in this paper were subsequently employed in separate research to develop a conceptual framework for managing responsible stakeholder engagement (e.g. O’Riordan and Fairbrass, 2014; O’Riordan and Zmuda, 2015).

¹⁴ See O’Riordan and Fairbrass 2014 for further details.

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