

# THE CORPORATE SOCIAL RESPONSIBILITY OF THE PHARMACEUTICAL INDUSTRY: IDEALISM WITHOUT ILLUSION AND REALISM WITHOUT RESIGNATION

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*Abstract:* In recent years society has come to expect more from the “socially-responsible” company and the global HIV/AIDS pandemic in particular has resulted in some critics saying that the “Big Pharma” companies have not been living up to their social responsibilities. Corporate social responsibility can be understood as the socio-economic product of the organizational division of labor in complex modern society. Global poverty and poor health conditions are in the main the responsibilities of the world’s national governments and international governmental organizations, which possess society’s mandate and appropriate organizational capabilities. Private enterprises have neither the societal mandate nor the organizational capabilities to feed the poor or provide health care to the sick in their home countries or in the developing world. Nevertheless, private enterprises do have responsibilities to society that can be categorized as what they *must* do, what they *ought* do, and what they *can* do.

## *What Exactly Are We Talking About?*

**M**aking an informed judgment about the social responsibility of the pharmaceutical industry is a rather difficult endeavor. One of the many sources of difficulty is a wide pluralism of values, resulting in a multitude of definitions of corporate social responsibility.<sup>1</sup> In principle the term describes the idea of a “social contract” consisting of a collection of “paragraphs” about labor standards and environmental responsibilities, and increasingly about human rights. While—at least in my perception—there are not too many complaints about the pharmaceutical industry’s performance with regard to labor standards and environmental care, the “access to medicine” performance seems to be a different ball game. The immense poverty-related health problems of the world’s destitute have become a challenging frame of reference for a new corporate social responsibility debate for the research-based pharmaceutical industry.

People expect more from a “responsible corporate citizen” today than they did twenty or thirty years ago. The increased depth and breadth of expectations is the consequence of changed social and economic realities predominantly in industrial

and some emerging countries. With increases in prosperity in industrial countries, the importance of immaterial values has risen—and social responsibility belongs in that basket. Parallel to this, a widespread sense of disquiet has developed over the fact that in quite a few places on this planet many people are eking out an existence in dire poverty, far removed from any increase in freedom or growing opportunity for choice. While it may remain a theoretical challenge to define who is “poor,” there is little doubt that the 1.3 billion people who live in households below the threshold of a total household consumption of \$1 a day per person have very practical problems with more than just income poverty.<sup>2</sup> Ill health, illiteracy, gender inequality, and environmental degradation keep them in a vicious circle of poverty and sickness that is historically well known from our own past: “Men and women were sick because they were poor, they became poorer because they were sick, and sicker because they were poorer.”<sup>3</sup>

What has that to do with a pharmaceutical corporation’s social responsibility? The fact is, we are not simply uninvolved onlookers—either as corporate citizens or as individual actors. Every one of us is constantly facing the question of who can contribute what to overcome states of affairs that we perceive as problematic. Our answers differ according to our personal values, our social affiliations, and our view of the world. And since there are important differences among these values, affiliations, and views, different constituencies often differ in their answers to the core question—to whom, for what, and to what extent is a pharmaceutical corporation responsible? The least common denominator of “social contract” thinking is that business enterprises have a responsibility not just to their shareholders but also to other stakeholders—individuals, groups, and society as a whole, including future generations.<sup>4</sup> Given global poverty problems and increasing social and economic disparities, “society as a whole” is likely to be defined by most development-related stakeholders more comprehensively than just the “local” or the “national” society in which a corporation has its headquarters.

One of the greatest intellectual challenges when coming up with a fair definition of “corporate social responsibility” is to define and justify the obligations underlying the term. Companies alone cannot define this for themselves with any claim to universal validity; legitimization arises through a consensus that is influenced by the shared values of a given society. Hence, an enlightened way for a corporation to define its social responsibility is to do so *after* engaging in an intensive dialogue with relevant stakeholder groups and individuals who affect or are affected by the company’s activities. As different actors want many different things, it is obvious that not all stakeholder demands per se constitute a reasonable corporate duty.<sup>5</sup> Yet only when a corporation knows the whole spectrum of stakeholder demands and is sensitive to the specific conditions under which they arise can it make informed choices, know the dilemmas that can arise, and explain what it considers to be a reasonable demand and why.<sup>6</sup>

In the context of the HIV/AIDS crisis, large pharmaceutical corporations have come under special pressure to give up intellectual property rights, to reduce prices to be compatible with the low purchasing power of patients living in absolute poverty, and to reallocate research capacities to neglected tropical diseases. All these demands are

discussed today under the “social responsibility” heading. Failure to give in to such pressures resulted in negative public perceptions about the pharmaceutical industry’s willingness to meet its responsibilities toward society.

### *Deficits in the Social Responsibility of “Big Pharma”: Perception or Reality?*

Today large international enterprises—including the research-based pharmaceutical industry—have a serious reputational problem to solve: When people in industrial countries were asked between 1999 and 2001 which institutions they trusted to work in the best interest of society, they put multinational companies in seventh position—behind governments, unions, and the media. In first place were nongovernmental organizations (NGOs), followed by religious organizations. Somewhere in between lay large national companies.<sup>7</sup> I do not know of any more recent surveys that specifically address the public image of the pharmaceutical industry. But given that various influential stakeholders in health care hold the research-based pharmaceutical industry responsible for the deaths of millions of people living in poverty because the companies keep their prices for life-saving medicines high, allegedly out of sheer greed for profits, I am not altogether optimistic.<sup>8</sup>

Whatever the boards and management teams of the pharmaceutical giants might think of themselves, their self-image fails to match their public image. When it is a question of protecting the “common good,” a significant proportion of people in industrial societies believe that “multinational corporations” are more likely part of the problem than part of the solution.<sup>9</sup> “Big Pharma” is seen the same way. One reason the pharmaceutical industry is the focus of public uneasiness is the perception that the prices for life-saving drugs are much too high under conditions of collective and individual poverty. Companies, so the criticism goes, put corporate profits before human life. In a world where the differences in infant, child, and maternal mortality represent the most obscene aspect of the North-South conflict, most people in modern societies expect the pharmaceutical industry to do its share in creating better access to “medical care,” including improving access to medicines.

Since the research-based pharmaceutical industry is highly regulated and thus ultimately dependent on the goodwill of political institutions—that is, of institutions whose ears are attuned to public opinion, if only because of their lively interest in being re-elected—failures in the marketplace for public acceptance and reputations are likely to lead to problems in the marketplace for products. What then constitutes responsible behavior of a pharmaceutical company toward society? Before this question can be answered we must—in view of today’s poverty-related health problems—answer a more fundamental question about the societal division of labor.

### *What Is a “Fair” Societal Division of Labor?*

Those of us who live in a village know that we can expect different goods and services from the mayor, the doctor, the police officer, the shopkeeper, or the teacher. Village people are used to and accept a certain division of labor and respective re-

sponsibilities. Modern societies are much more complex systems within which the responsibilities—and their boundaries—of specific actors seems to be less clear. And yet in modern societies it should be even less difficult to assign and set limits to responsibility than in informal systems where neighborly help and reciprocal loyalties are common features. The system “society” as a whole can be thought of as a composite of relatively independent subsystems with various players and sets of rules. All subsystems or societal groups are expected to perform certain functions and contribute toward a society’s development.

Due to the peculiarities of the different subsystems, each one has developed its own “best practices” to deal with the tasks it has to take care of. The result is certain subsystem-specific laws, principles of action, and rules of behavior. These are distinct from those of other societal subsystems. There is, however, cooperation between various subsystems—for example, the polity and government system, the system of law, the education system, science, or art and culture. The more “win-win” situations we have, the fewer frictions there are and the higher the synergy. The systemic whole becomes more than just the sum of its parts.

This, however, is nothing new: The importance of an appropriate division of labor is underlined in the very first sentence of the first chapter of Adam Smith’s *Wealth of Nations*, published in 1776: “The greatest improvement in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labor.” No single actor has all the rights, and none is bound by every single obligation—but all are better off if they cooperate.

Companies—like all other actors in society—have an interest in society prospering, and they have a duty to contribute to this goal. The concept of *duties* implies that there are certain obligations we are bound to respect, and certain rules of action we are bound to follow, at all times. Most of these rules of action have been determined in advance by human experience, thought, and tradition. They act as guides, as touchstones, relieving us of the need to make elaborate calculations of the probable consequences of our decisions each time we are confronted with a particular situation.

Over time and with rising prosperity, the perception of what ought to be expected from different societal subsystems changes. As a consequence of recent rethinking of the role of the state and a deeper awareness of the magnitude of social, health, and environmental problems facing global society, more and different responsibilities have been assigned to other societal actors, including corporations.<sup>10</sup> Problems arise when the contributions that are demanded from one sector (the private sector or the state) are detached from an understanding of a fair division of duties within the system as a whole, or when too high a burden is put on one particular side. All the interests of a society’s actors must dovetail in order to obtain the highest possible development of that society—in other words, there must be an appropriate division of labor in society. To ensure that this division is organized efficiently and benefits the common good to the greatest possible extent, the subsystems of the state, for example, have functions and responsibilities completely different from those of the economic or cultural subsystem. It also is obvious that there has to be a fair balance

of duties *and rights* for all subsystems. This is clearly easier said than done, as any change in the allocation of duties or rights of one subsystem has direct implications on the vested rights of others.

Moral norms, such as the duty to share with the needy out of solidarity or unconditional charity, are indispensable for the functioning of the system as a whole. Imposing these norms on businesses alone, however, would harm not only this subsystem but also society in the long run. Although profitable corporations are often engaged in significant philanthropic activities,<sup>11</sup> it is the obligation of other subsystems to provide and fairly distribute aid and welfare services to people in need. Corporate philanthropy remains an important aspect of good corporate citizenship, but realistically only as “nice-to-have” as long as the results of normal business activities allow for it. The economic subsystem and its individual and corporate actors function on markets and through them—a compassionate anti-economy could not be maintained for long due to the constraints inherent in the system. Any strategy to profile corporate philanthropy differently is at best wishful thinking; at worst, it could be criticized as an attempt to misguide a compassionate public.

The conclusion that each of us has particular duties according to our vocation, relation, or circumstances must have its corollary in the conclusion that the duty of each of us has certain definite limits. The sense of responsibility is weakened as much by overextending the range of people’s responsibilities as by freeing them from the actual consequences of their actions. To be effective, responsibility must be both definite and limited, adapted to the capacities of our mind, our compassion—and our resources. To be constantly reminded of our “social” responsibilities to all the needy or unfortunate in our community, our country, or our world has the effect of weakening the strength of our feelings until the distinction between those responsibilities that call for our action and those that do not disappear. A very practical problem arises, for example, in the context of failing states and deficits in good governance in some sub-Saharan African countries: *Who is next in charge*, when those who are first in the line of responsibility fail, for any reason, to perform their specific duty? Whose duty is it to substitute?

Two actors in particular have primary responsibility toward poverty reduction and sustainable health improvements: the governments of poor countries and the institutions in donor countries that are responsible for development cooperation. The acceptance of this responsibility is best demonstrated by the almost universal commitment to achieve the Millennium Development Goals (MDGs). Without appropriate action from both these sides, the gap between North and South in terms of welfare and life expectancy will widen dramatically—the fact that there is not enough progress in the achievement of the MDGs therefore gives rise to substantial concern. If governments and the international community would mobilize more and more-concrete political will and would do what is known to be best practice, humankind could expect immense returns on investments in health and general development.<sup>12</sup>

Today there are still far too many developing countries whose governments spend much more of their scarce resources on weapons and luxury goods than they do on health and education.<sup>13</sup> There are far too many countries that rather than applying

the familiar “best practices” in health care propagated by the World Health Organization (WHO) let themselves be driven by political vanity or corruption to adopt poorer practices and waste scarce resources through the misallocation of funds.<sup>14</sup> Without substantial improvements by the South in the area of “good governance,” all interventions from outside will remain little more than symptom control to ease the conscience of the North.<sup>15</sup>

At the same time, however, it is scandalous how few financial and other resources are made available by rich nations to promote economic and social development. We have not seen any peace dividend, which became possible with the end of the Cold War, in the form of new resources on the scale needed for development cooperation. Nor have we seen an application of the fair trading conditions for developing countries, such as through the elimination of protectionism in agriculture or the textile industry, that would make sense and be necessary—if only out of self-interest.<sup>16</sup> It is impossible that a small minority of prosperous people live in peace and security in the midst of a sea of poverty.

Despite substantially reduced prices or differential pricing for the treatment of poverty-related diseases and HIV/AIDS, it will continue to be beyond the means of governments in developing countries to provide treatment for all their patients, given the scale of the disease burden. Substantially expanding access to essential medicines, including antiretrovirals, will require additional domestic and international financing to buy the drugs as well as to build effective health and supply systems. Without the infrastructure and capacity-building necessary to administer HIV/AIDS drug regimens adequately and effectively—and without ensuring a minimum of patients’ compliance—there is not only the danger of sub-optimal therapeutic success but also the risk of resistance to antiretrovirals and important antibiotics.

Increased development assistance plus increased funding for the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria, as well as specific corporate endeavors, will be necessary to help improve access to the information, goods, and services that sick people so urgently need. The strength of the “chain” between the pharmaceutical corporation researching and producing the medicines and the rural patient living in absolute poverty is only as strong as the weakest link. One “lesson learned” in more than a decade of experience in donating medicine to poor countries (such as drugs to cure leprosy) is that under conditions of missing health infrastructure (and hence the risk of inappropriate diagnosis), the free availability of drugs can be a mixed blessing—because of irrational use of drugs, lack of patients’ compliance, and diversion into inappropriate marketing channels.<sup>17</sup>

Correct though these observations are, drawing attention to deficits on the part of other actors will not save the life of a single child—and drawing attention to the mistakes of others also does not release people from their own responsibilities. But what concrete responsibilities must the research-based pharmaceutical industry face up to in order to make a legitimate claim for social acceptance? The first and foremost responsibility of any pharmaceutical company is to inform itself about its impact on society’s various needs and goals and to be sensitive to the demands of so-called fair-minded

stakeholders. Having done this, the definition of the specific social responsibility of a company becomes a matter of corporate values and enlightened leadership.

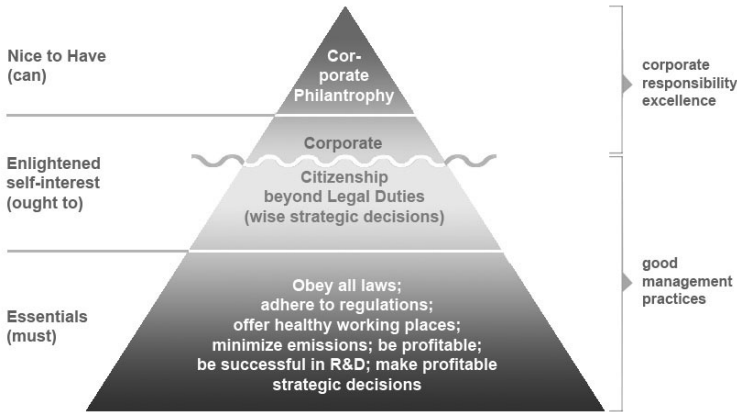
*Within a Fair Societal Division of Labor, What Is an Enlightened Definition of “Corporate Social Responsibility”?*

“Social” responsibility is understood here in the sense of “societal” responsibility—that is, a responsibility toward society in general. Social corporate responsibility in the pharmaceutical industry, as in other sectors, encompasses responsibilities with differing degrees of obligation. A theoretical distinction (which in the practical business world is not as sharp as this indicates) can be drawn among what is:

- required of business by society—the “must do” dimension of social responsibility, which by societal consensus goes without saying, such as the provision of products or services in good quality and at a fair price, compliance with laws and regulations, employment at fair wages and in decent working conditions, profit-making, and wise strategic decisions; compliance with the “must” dimension is the minimum standard necessary for a corporation’s sustainable existence.
- expected of business by society—the “ought to do” dimension of social responsibility, which is less binding than those covered by the “must” dimension but which most people (and serious enterprises) in modern societies still regard as “good corporate citizenship”; this dimension comprises extra-legal obligations like avoiding questionable practices and being fair and responsive to legitimate concerns of fair-minded stakeholders as well as working legitimately beyond legal requirements where local legal conditions do not meet enlightened standards, such as with regard to social and environmental conduct. A concise catalogue of this dimension of social responsibility is the ten principles of the United Nations Global Compact.<sup>18</sup>
- desired of business by society—the “can do” dimension of social responsibility, the fulfillment of which deserves public praise, although a company not delivering in this area would not have to fear public blame; examples of the “can do” dimension include corporate philanthropy, community and neighborhood programs, volunteerism, and donations.

Enterprises with enlightened leadership *should* do more than just the *minima moralia* described by the “must” dimension in view of the global social problems of our times. And the private sector *can* do much if there is sufficient corporate political will. There is also a growing realization that many governments all over the world are doing only a fair or a poor job in reducing poverty. A growing number of citizens in many countries recognize that private efforts and local communities should play a pivotal role in the provision of social services. This trend implies that most of the “ought to do” as well as some of the “can do” dimensions melt with the “must do” category. A sober analysis of today’s poverty and health problems in sub-Saharan

### The Hierarchy of Corporate Responsibilities



Africa and other poverty-ridden regions suggests that sustainable solutions can only be expected if *all actors in the global civil society* show goodwill and accept a level of responsibility that extends beyond traditional definitions of their specific duties. What is needed in a corporate context is *leadership* in relation to creative and innovative ways of opening up new avenues of corporate social responsibility. After working for almost thirty years in the pharmaceutical industry, my position is one shaped by realism without resignation and by idealism without illusion.

#### The “Must Do” Dimension of Social Responsibility

When asked “What are the responsibilities of large companies?” more than two-thirds of a global sample of 20,000 citizens in twenty countries gave an interesting though not surprising collective answer:

Protect health/safety of workers	79%
Treat all employees equally	77%
No bribery or corruption	75%
Protect the environment	73%
No child labor	72%
Make profits, pay taxes	68%
Provide secure jobs	64%
Apply the same high standards all over the world	60%

Source: Environics: The Millennium Poll 1999



In addition, 45 percent of those interviewed mentioned the responsibility to “respond to public views and concerns,” 40 percent expected “help to solve social problems,” and 38 percent wanted the companies to “support charities and community projects.”

The non-negotiable responsibilities of the pharmaceutical industry (and they are no different today than in the past) are to provide goods and services that effectively meet customer demands and that can be sold at prices that are competitive and in the best interest of the corporation. If this is achieved in compliance with law as well as in harmony with workers’ rights, with minimal negative impacts and unintended externalities, a corporation’s conduct is likely to be judged as responsible. If all goes well, such a company will also achieve profits that are high in relation to the industry average. But as we are not dealing with a zero-sum game in which whatever is gained by one side has to be lost by others, profits are not pursued to the detriment of the common good.

Pharmaceutical corporations—even when merely assuming responsibility for non-negotiable deliverables—do nevertheless contribute to the common good:

- With their goods and services they create various kinds of value added for society. Modern medicines and therapies, for example, help to reduce death rates and to prevent or cure diseases. Being a successful pharmaceutical corporation therefore means not only being profitable but also raising the quality of life of sick people, avoiding costly hospitalization, and allowing people to go back to normal working lives instead of being bedridden. The financial success of the company arises here as a result of market successes in the research, manufacture, and distribution of medicines of high social benefit.
- Profits ensure the preservation of productive jobs, the payment of fair salaries and social benefits, contributions toward pension and insurance systems, and the development of new (and, for global sustainable development for a growing world population, much needed)<sup>19</sup> technical solutions. Moreover, through the resources they provide in the form of taxes, profits make an important contribution to financing the functions of the state. Under positive political and social conditions (“good governance”), these corporate contributions are of major instrumental value for the improvement of the common good. Therefore—and this tends to get lost sometimes in the debate—profits are not only necessary from a business point of view, they are also relevant in terms of societal welfare.

While not subscribing to a narrow interpretation of Milton Friedman’s famous view that the business of business is business *only*, and that a corporation has no further obligations than to obey the law and “the rules of the game,”<sup>20</sup> I share Friedman’s concern that bringing human and social values into decisions of the economic subsystem will ultimately lead to a shift from market mechanisms to political mechanisms. At times when the judgment of a fair societal division of labor seems to be so blurred, a wake-up call to reality by speaking of the boundaries of corporate obligations is a political necessity; it creates transparency about what can be expected from business on a sustainable basis. But then, the understanding of the role of the state has changed over the past two decades, and modern societies today assign to actors in the eco-

conomic subsystem a relatively wide-ranging portfolio of obligations.<sup>21</sup> This is not least a consequence of decades of criticism regarding effects extraneous to the economic subsystem, whether it be damage to the natural balance of ecosystems, exploitative and unhealthy labor conditions in developing countries, the concentration of global economic power in a few western industrial countries, or the autonomy of political decision-makers being compromised by economic power. Corporations that strive to be successful in terms of a “triple bottom line” therefore are willing to deliver more than just essentials.

### *The “Ought to Do” Dimension of Social Responsibility*

Most people in modern societies expect companies competing with integrity to avoid questionable practices and to respond to the “spirit” of the “minimal standard” of law rather than narrowly interpreting the letter of law. For example, they expect companies to pay “living wages” instead of “minimal wages,” and to protect the environment even in countries where this is not legally required. In short, businesses today qualify as good corporate citizens if they follow standards such as those of the UN Global Compact. How did this UN Global Compact come into existence? Convinced that weaving universal values into the fabric of global markets and corporate practices would help advance broad social goals while securing open markets, UN Secretary-General Kofi Annan challenged world business leaders to make globalization work for all the world’s people. To this end, companies are asked to act in their own corporate domains on ten principles drawn from the Universal Declaration of Human Rights, the International Labour Organization’s Fundamental Principles on Rights at Work, and the Rio Principles on Environment and Development, which form the UN Global Compact (see box).

As transnational corporations are seen to be the principal drivers of globalization and also its primary beneficiaries, they are increasingly expected to fulfill obligations that go beyond what national laws require—especially in the light of the inability of the public sector to protect the public welfare of some nations—and certainly beyond the satisfaction of short-term shareholder interests. The “ought to do” dimension of social responsibility is to carefully analyze the corporate state of affairs, to look for potential vulnerabilities and correct them in the spirit of good corporate citizenship, and to make sure that management and compliance processes are in place to prevent performance deficits.<sup>22</sup>

Of course, also with regard to the UN Global Compact, different stakeholders have different definitions of ambiguous terms (such as “sphere of influence” or “precautionary principle”)—hence the company must be clear that others are aware of what the corporate understanding of these terms is. This is especially important in the context of the human rights principles: Many human rights stakeholders presume that large companies have the power to influence outcomes even in the political arena, and subsequently demand from corporations that they use their bargaining power “to rectify offensive conditions even in countries in which a firm has played no causal role in their creation,” as the United Nations put it.<sup>23</sup> Bearing in mind the uneasiness of past discussions about political interference of multinational corporations,<sup>24</sup> such demands have to be handled with great care.

### **The UN Global Compact Principles**

#### ***Human Rights***

The Secretary-General asked the world business community to:

*Principle 1:* Support and respect the protection of the international human rights within their sphere of influence

*Principle 2:* Make sure their own corporations are not complicit in human rights abuses

#### ***Labor Standards***

The Secretary-General asked the world business community to uphold:

*Principle 3:* Freedom of association and the effective recognition of the right to collective bargaining;

*Principle 4:* The elimination of all forms of forced and compulsory labor

*Principle 5:* The effective abolition of child labor

*Principle 6:* The elimination of discrimination in respect of employment and occupation

#### ***Environment***

The Secretary-General asked the world business community to:

*Principle 7:* Support a precautionary approach to environmental challenges

*Principle 8:* Under take initiatives to promote greater environmental responsibility

*Principle 9:* Encourage the development and diffusion of environmentally friendly technologies

#### ***Anti-Corruption***

*Principle 10:* Businesses should work against all forms of corruption, including extortion and bribery.

For research-based pharmaceutical companies, a number of other dimensions become relevant, two of which are of special importance: readiness to help out with donations in cases of acute emergency and flexibility for negotiated, differential pricing for patients in the poor social strata of developing countries on a case-by-case basis.

While donations in the case of emergencies are relatively easy to determine, and misuse is less frequent, differential pricing for different markets requires some additional measures to prevent an exploitation of goodwill. Control over trade is required to avoid re-exportation or leakage of the low-priced drugs to the markets of industrial countries. It also requires an appropriate political environment, including a readiness on the part of consumers in high-priced markets to accept sustained price differences.<sup>25</sup> Moreover, it may require agreements from industrial countries not to use differential prices intended only for poor countries as benchmarks for their own price regulation systems or policies.

### *The “Can Do” Dimension of Social Responsibility*

“Desirable” actions cover a dimension of social responsibility that is neither required by law nor standard industry practice. Delivery on the “can do” norms of social responsibility will not protect a company whose actual operations do not comply with the law or other aspects of the “must do” dimension. Yet it can offer people substantial social or other advantages.

Desired actions are, for example, social benefits through subsidiaries situated in poor countries, such as free or heavily subsidized meals for workers and employees, nursery schools for single parents, free training opportunities using company infrastructure, or scholarship programs for the children of employees in low-income groups. The extras may also take the form of providing free or heavily subsidized facilities for diagnosis, treatment, and psychosocial care for employees with HIV/AIDS or other

poverty-related diseases, such as TB or malaria. Corporate philanthropy, defined as expenditure beyond a company's actual business activities without any specific association with direct corporate advantages and without any financially measurable rewards in return, is regarded by some stakeholders with skepticism, because these are benefits that are voluntary and can also be cut back again—for example, when the climate in the business environment becomes harsher.<sup>26</sup>

Given widespread poverty and the human suffering associated with it, even if a company does nothing more than act purely as a financial sponsor for humanitarian purposes, this should be acknowledged as laudable. Normally, however, in addition to financial resources companies also have a wealth of knowledge and experience at their disposal that they can put to great use by investing in projects and programs of development cooperation and humanitarian aid to increase their effectiveness, efficiency, and significance.<sup>27</sup> As part of such projects, a company may donate medicines—as Novartis, for example, has done by signing a memorandum of understanding with WHO to provide free treatment for all leprosy patients in the world until the disease has been eliminated from every country—or may invest in social development programs to enhance the absorptive and institutional capacity of the recipients. Experience shows that it is relatively easy to make a donation to a government or an international organization, but the mere availability of a drug at the central medical stores in a poor country's capital does not necessarily mean that it will be available and accessible to rural or urban communities in need. It can be extremely difficult to make sure the donated medicine is accessible to the destitute patients in the rural areas of a least developed country—at the right time, in the right dosage, and with the patient's compliance.<sup>28</sup>

Companies that become engaged in such a comprehensive way create the opportunity to acquire a social competence regarding problems of poverty and become familiar with poverty-related realities—experiences that do not otherwise form part of the normal cosmos of a company. It is the kind of competence for a company that is described by Nobel laureate Amartya Sen as made for “competent human beings”:

As competent human beings, we cannot shirk the task of judging how things are and what needs to be done. As reflective creatures, we have the ability to contemplate the lives of others. Our sense of responsibility need not relate only to the afflictions that our own behavior may have caused . . . , but can also relate more generally to the miseries that we see around us and that lie within our power to help remedy. That responsibility is not, of course, the only consideration that can claim our attention, but to deny the relevance of that general claim would be to miss something central about our social existence. It is not so much a matter of having exact rules about how precisely we ought to behave as of recognizing the relevance of our shared humanity in making the choices we face.<sup>29</sup>

As a company's understanding grows with regard to completely different viewpoints on complex social issues, the company goes on a learning process that is structurally different from any kind of “do gooder-ism” triggered by public pressure in a given critical situation.

Contributions from the research efforts of the pharmaceutical industry also fall into the category of “can do” norms of social responsibility. This might follow the approach of the Novartis Institute for Tropical Diseases in Singapore,<sup>30</sup> where—in collaboration with others as a joint public-private initiative—pro bono research is conducted into the diseases of poverty such as TB and dengue fever. If more companies would engage in similar ventures, they altogether could establish a “Consultative Group on International Health Research” and bring about new synergies. In some cases pharmaceutical companies decide not to spend the resources that are necessary to develop a patented chemical compound into a drug due to a different focus of their product portfolio. Any of these compounds that offer hope for treating neglected tropical diseases could be passed on to such a Consultative Group for further research and development, along with the financial resources provided by other actors in civil society, such as national or multilateral development agencies or NGOs. This brings me to my final point: the need for collaboration between partners who have the necessary expertise and goodwill.

### *Enlightened Coalitions for Better Health of the World's Poor*

Among all the actors with good intentions in society, I perceive a normative consensus that every individual human being who dies under conditions of individual and collective poverty because he or she has no access to adequate medical care is an indictment against those who could prevent it but who—for whatever reasons—fail to do so. My experience is that managers think likewise in this respect. I am also convinced that the Gaussian curve charting the distribution of morals and social competence looks alike for both managers and other professional groups. In view of the complexity and dimension of the health problems faced by the three billion people whose income amounts to less than \$2 a day, it is a truism to state that poverty and ill health have multiple sources and hence that sustainable solutions call for a multi-pronged approach. Consequently, different actors who reinforce each other's efforts need to create a package of complementary means and methods.

Effective and successful solutions need an enlightened willingness to cooperate and to come to an understanding between all those who have something to contribute. Without explicit and coherent efforts to build up health infrastructure, train health care workers, share information with researchers from the public sector, educate patients, and improve health services in general, much of what governments, NGOs, or the private sector have to offer will be absorbed by those who have early and better information, better access, and more political power. Under such conditions, the (relatively) non-poor are likely to benefit disproportionately, and those who live in absolute poverty will remain underserved.<sup>31</sup>

While the individual actors—governments, donors, NGOs, and the private sector—may be very effective and efficient in achieving their own specific goals, no single actor can solve every issue of common concern. Different actors in civil society have different concepts, skills, techniques, experiences, and resources. They are also driven by different motives. Although there is a rational and natural division of labor and

responsibility, synergies through cooperation and unorthodox alliances are feasible. As a result of different backgrounds and experiences, different actors are likely to analyze the issues and appraise both the problems and the opportunities differently. Modified or altogether different solutions become probable under such circumstances. Collaboration and coordination among the different actors can lead to synergies and a dimension of solutions not available from any individual actor.

Social corporate responsibility therefore not only involves competing with integrity<sup>32</sup> and a high degree of sensitivity with regard to stakeholder concerns but is also expressed by the willingness to cooperate with other parts of civil society who work in good faith. Before cooperation on specific projects can begin, however, a consensus needs to be reached among those who want to cooperate on the definition of the basic problems—and consequently on the appropriateness of the means and techniques being used to solve them. One example to explain this rationale could be the “access to medicines” deficits in the rural parts of sub-Saharan Africa.

If a stakeholder considers the existence of the pharmaceutical industry’s intellectual property rights as the basic or even exclusive constraint on the access of poor rural patients to medicines, it will be most difficult to find a common denominator for sustainable solutions of this problem. It has nothing to do with ideology to recognize that most infectious diseases—which account for 45 percent of the causes of death and 63 percent of the child mortality in low-income countries—can be controlled with available and affordable medicines and tools, all of which are off-patent<sup>33</sup> but are not available where they are needed:

- Tuberculosis medicines are 95 percent effective in curing TB and cost \$10 for a six-month course of treatment.
- Oral rehydration therapy is highly effective in treating dehydration caused by diarrheal diseases, for 33¢ per treatment.
- Antibiotics for pneumonia are 90 percent effective, for 27¢ per dose.
- Antimalarials are 95 percent effective, with per-treatment costs as low as 12¢.
- Vaccines are 85 percent effective in preventing measles, for as little as 26¢ per dose.

Estimates made at a Washington conference on intellectual property and the economics of international public health in October 2003 suggested that up to 95 percent of the essential drugs needed for sub-Saharan African poor patients either have expired patents or are non-patented drugs. Other effective tools available at low prices are insecticide-treated bed nets against vector-transmitted diseases (such as malaria) for as little as \$4. One in four child deaths from malaria could be prevented if children at risk slept under bed nets to avoid mosquito bites. Last but not least, latex condoms for the prevention of sexually transmitted diseases, including HIV/AIDS, are available for \$14 for a year’s supply. What, in the light of these facts, could be the “responsibility deliverables” of a “right to health” nature to be expected from the pharmaceutical sector?

With regard to *respecting* the right to health, yes, there is a right to health that poor people can call on pharmaceutical companies: offer healthy and fairly paid workplaces, prevent discrimination, minimize emissions and other self-evident obligations. What about *protecting* the right to health? Again, not a big issue: enlightened corporations strive to make sure that questionable labor standards and environmental practices are avoided in their sphere of influence. Enlightened pharmaceutical companies will adhere to their self-imposed corporate citizenship norms even if local laws and regulations would allow for lower standards. And finally, and most difficult to answer: Are there “right to health”—deliverables that poor people can call on pharmaceutical corporations to *fulfill* sustainably? Yes, for those who are employed by the company, through a fair remuneration, through enabling the state to do its duty by paying taxes—but also beyond that?

The answer to the last question depends on the values of institutions, on their understanding of a fair societal division of obligations—and hence on the individual value premises of the persons asked. There are moral obligations of the pharmaceutical industry beyond what market mechanisms can supply, be it with respect to the spirit of law and corporate norms or the provision of voluntary services in the context of employment. Again, enlightened pharmaceutical companies will accept such responsibilities through the “ought to do” and “can do” dimensions of their corporate citizenship commitment. On its own, however, this cannot be more than a very limited contribution to overcoming the challenges that we all face on a global level.

The huge mortality and morbidity burden can only be brought down with a concerted national strategy that is supported globally (such as through the Global Fund) with financial resources as well as know-how on good practices and with national and community efforts to increase the access of the world’s poor to essential health services. The international community’s credibility will be measured in its willingness to deliver on commitments to increase external resources for development. The finance gap for the achievement of the Millennium Development Goals is estimated to be at least \$50 billion<sup>34</sup>—tariffs and quotas on agricultural products, textiles, and clothing exported by developing countries are still preventing possible income in these countries, while seven to ten times as much is spent on subsidies on the agricultural sector of industrial countries as on global development assistance.

While it is reasonable and fair to expect that business enterprises do not commit, become complicit, or benefit from violations of the political and civil rights of human beings anywhere in the world, the assessment of what is a reasonable and fair contribution to the respect, protection, and fulfillment of economic, social, and cultural rights remains more difficult. This is especially true for the right to health. The pharmaceutical sector’s largest and most sustainable contribution toward this end can and will continue to be through its normal business activities: research, development, manufacturing, and selling pharmaceutical compounds to prevent premature mortality, to cure or alleviate diseases, to prevent or shorten hospitalization, and to contribute to the quality of life of sick people. To do this while adhering to laws and regulations as well as being in harmony with internationally accepted labor and environment standards contributes further to the right to health of individuals and enables the state to fulfill its duties.

One thing is, however, obvious: Single actors on their own will face narrow limits with regard to their impact on global development and health problems. Solutions to multifaceted problems of global dimensions must be approached with a multistakeholder approach. The deficits in access to medicines cannot be solved in isolation from sustainable solutions with regard to the overall deficits in development policies, health care systems, health infrastructure, and implementation processes. As a rule, the combination of appropriate development policy, sound and effective health policy, a rational use of drugs, and adequately funded health services can handle most of the health problems of any country. A multistakeholder approach allows for an exchange of resources, a combination of competencies, and the coordination of activity in a new way. Partnerships can, for example, combine government's ability to create a supporting environment, the exceptional ability of NGOs to tap in-depth grassroots knowledge and expertise, the ability of multilateral and bilateral donors to provide funds, and the private sector's resources, which can make the necessary pharmaceutical goods and services available.

### *Where do Companies Go from Here?*

Social issues and development gaps are and will remain formidable challenges for billions of people now trapped in poverty. If a pharmaceutical corporation wants to go on record as a visible part of sustainable solutions, it must define its corporate social responsibility in a comprehensive and inspired way and therefore must transcend the "must do" dimension to apply ambitious "good corporate citizenship." Anything less would not only be regrettable but would also, sooner rather than later, result in a public perception of being indifferent to the biggest social problem of our time. Ultimately, "society" is nothing else but the totality of actual or potential "customers"—and their judgments about a company being "socially responsible" helps determine their choice of products. But it is "consumers" not only on the product and services markets but also on the "reputation markets" who count—companies that are perceived to be part of the problem and not part of the solution will eventually face problems with their societal acceptance as well as a more difficult political environment and more stringent regulation. This again would be counterproductive for the urgently needed successes in pharmaceutical research. As the worst performance of the weakest member of the industry is having a disproportionate influence on the image of the whole industry, more "social marketing" of corporate social responsibility within the pharmaceutical sector would benefit all corporations.

An enlightened way of looking at corporate social responsibility from a corporate point of view is to see it as in the long-term interest of a corporation to fulfill societal expectations as much as possible and thus to cultivate public goodwill. A chairman's statement in this regard will send the right signal through an organization and into the wider society. It goes without saying that if a company wants its social responsibility credentials to be widely known and appreciated, it will have to report on these achievements in a convincing and easily accessible manner and to give concrete examples—at best in its annual report.



Sustained corporate success depends, in addition to all other factors that successful managers are so well aware of, on the courage and imagination to respond to the needs and welfare of fair-minded stakeholders. *A new social contract for globalization with a human face* is an idea whose time has come. A credible commitment to enlightened corporate social responsibility will become one of the most important areas of future corporate leadership and success.

## Notes

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1. Searching for “social responsibility” on Google yields more than 9 million entries, while looking for “corporate social responsibility” yields 1.6 million results; searching within these results for the pharmaceutical industry still points to 127,000 sites (in November 2003). Several organizations make it their business to help corporations do the right things—see, e.g., [www.bsr.org](http://www.bsr.org), [www.csreurope.org](http://www.csreurope.org), [www.crsforum.com](http://www.crsforum.com), [www.worldcsr.com](http://www.worldcsr.com), [www.globalreporting.org](http://www.globalreporting.org), and [www.conference-board.org](http://www.conference-board.org); for a corporate site, see [www.novartis.com/corporatecitizen/en/index.shtml](http://www.novartis.com/corporatecitizen/en/index.shtml).

2. International Monetary Fund and World Bank Development Committee, “Comprehensive Development Framework,” Washington, D.C., 19 April 1999, p. 2; see also, e.g., D. Narayan et al., *Voices of the Poor. Can Anyone Hear Us?* (New York: Oxford University Press for World Bank, 2000); U.N. Development Programme (UNDP), *Poverty Report 2000. Overcoming Human Poverty* (New York: 2000); and World Bank, *World Development Report 2004: Making Services Work for Poor People* (New York: Oxford University Press, 2003).

3. See C.-E. A. Winslow, *The Cost of Sickness and the Price of Health* (Geneva: World Health Organization [WHO], 1951), p. 9.

4. See, e.g., T. Donaldson and T. E. Dunfee, *Ties That Bind: A Social Contracts Approach to Business Ethics* (Boston: Harvard Business School Press, 1999); J. W. Houck and O. F. Williams, eds., *Is the Good Corporation Dead? Social Responsibility in a Global Economy* (Lanham, Md.: Rowman & Littlefield Publishers, Inc. 1996); and United Nations, *The Social Responsibility of Transnational Corporations* (New York: 1999).

5. See E. B. Kapstein, “The Corporate Ethics Crusade,” *Foreign Affairs* 80 (2001): 105–19.

6. See Donaldson and Dunfee, *Ties That Bind*, 235ff.

7. See Environics, *The Millennium Poll* (New York: 1999); and Edelman Public Relations World Wide, poll, November 2001.

8. See, e.g., Médecins Sans Frontière, “Access to Drugs Denied: How Politics Is Failing the Dying,” *Campaign for Access to Essential Medicines*, Paris, 2002; see also Oxfam, *Generic Competition, Price, and Access to Medicines: The Case of Antiretrovirals in Uganda*, Oxfam Briefing Paper No. 26 (Oxford: 2002); Oxfam, Save the Children, and VSO, *Beyond Philanthropy: The Pharmaceutical Industry, Corporate Social Responsibility and the Developing World* (Oxford: 2002); and WHO, *Globalization, TRIPS, and Access to Pharmaceuticals*, WHO Policy Perspectives on Medicines, No. 3 (Geneva: 2001).

9. See, e.g., G. Enderle and G. Peters, *A Strange Affair: The Emerging Relationship Between NGOs and Transnational Corporations* (London: PriceWaterhouse, 1998).

10. See, e.g., World Bank, *World Development Report 1997: The State in a Changing World* (New York: Oxford University Press, 1997).

11. See, e.g., [www.novartisfoundation.com](http://www.novartisfoundation.com).

12. See Commission on Macroeconomics and Health (Chairperson: Jeffrey Sachs), *Macroeconomics and Health: Investing in Health for Economic Development* (Geneva: WHO, 2001).
13. K. Abbasi, "Healthcare Strategy," *British Medical Journal*, 3 April 1999, 933–1006; D. Gwatkin, "The Burden of Disease Among Global Poor," *Lancet* 23 (October 1999): 586ff.
14. WHO, *World Health Report 2000—Health Systems: Improving Performance* (Geneva: 2000).
15. P. Jha et al., "Improving the Health of the Global Poor," *Science* (15 March 2002): 2035ff.; D. Filmer et al., *Health Policy in Poor Countries: Weak Links in the Chain?* Policy Research Working Paper no. 1874 (Washington: World Bank, 1998); "Weak Links in the Chain II: A Prescription for Health Policy in Poor Countries," *The World Bank Research Observer* 17(1) (2002): 47–66.
16. See, e.g., [www.caa.org.au/campaigns/trade/wto/agriculture.html](http://www.caa.org.au/campaigns/trade/wto/agriculture.html).
17. See [www.novartisfoundation.com/en/articles/access/index.htm](http://www.novartisfoundation.com/en/articles/access/index.htm).
18. See [www.unglobalcompact.org](http://www.unglobalcompact.org).
19. See K. M. Leisinger, K. Schmitt, and R. Pandya-Lorch, *Six Billion and Counting: Population Growth and Food Security in the 21st Century* (Baltimore: Johns Hopkins University Press for IFPRI, 2002).
20. M. Friedman, "The Social Responsibility of Business Is to Increase Its Profits," *New York Times Magazine*, 13 September 1970; see also M. Friedman, "The Social Responsibility of Business," in *Ethical Theory and Business*, ed. T. L. Beauchamp and N. E. Bowie (Old Tappan, N.J.: Prentice-Hall, 1983), 81–83. With a "presumption of innocence" attitude, one could easily interpret the "rules of the game" as including a lot of what is defined to be corporate responsibility.
21. See Environics, *The Millennium Poll*.
22. For the Novartis example, see K. M. Leisinger, "Towards Globalization with a Human Face: Implementation of the UN Global Compact Initiative at Novartis," *Journal of Ethics and Globalization*, January/February 2003 (online version on [www.parallaxonline.org/peglobalhuman5.html](http://www.parallaxonline.org/peglobalhuman5.html)).
23. United Nations, *The Social Responsibility of Transnational Corporations*, 19.
24. See Oxfam, *TRIPS and Public Health*, Oxfam Briefing Paper No. 15 (Oxford: 2002), but also the debate about the role of multinational corporations in the political affairs of Chile in the early 1970s.
25. This argument is made on the understanding that governments in OECD countries are—as one of their good governance duties—providing the necessary social safety nets to ensure that their poor or uninsured citizens have access to essential medical care, including essential medicines.
26. Oxfam, Save the Children, and VSO, *Beyond Philanthropy*.
27. See, e.g., the *Annual Report* of the Novartis Foundation for Sustainable Development, [www.novartisfoundation.com](http://www.novartisfoundation.com).
28. See [www.foundation.novartis.com/leprosy/index.htm](http://www.foundation.novartis.com/leprosy/index.htm).
29. A. Sen, *Development as Freedom* (Oxford: Oxford University Press, 1999), 283.
30. See [www.nitd.novartis.com](http://www.nitd.novartis.com).
31. Important work in this context is done by Davidson R. Gwatkin; see, e.g., "Health Inequalities and the Health of the Poor: What Do We Know? What Can We Do?" *Bulletin of the World Health Organization* 78(1) (2000): 3–18.
32. See R. T. De George, *Competing with Integrity in International Business* (New York: Oxford University Press, 1993).
33. WHO, *Health—A Key to Prosperity: Success Stories in Developing Countries* (Geneva: 2000), 10.
34. See UNDP, *Human Development Report 2003—Millennium Development Goals: A Compact Among Nations to End Human Poverty* (New York: Oxford University Press), 12.