Corporate Social Responsibility
- What to do?

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Abstract

The focal point for this thesis is corporate social responsibility and how it can affect competitive advantage. This study is conducted within the pharmaceutical industry, an industry that is claimed to have a very high level of social responsibility. Thus, understanding what kind of CSR factors that contributes to competitive advantage might be seen as a relevant field of study.

The purpose if this study is to explain what kind of social responsibility factors that generates competitive advantage for pharmaceutical companies. The method used in this thesis is a content analysis, where pharmaceutical companies’ social responsibility reports are viewed and where the appearance of certain key words associated with CSR factors were counted. The following CSR factors have been used: human rights, labour practice, environment, fair operating practice, consumer issues and community involvement and development.

Findings of this study indicate that consumer issues and community involvement and development are positively related to competitive advantage for pharmaceutical companies.

The main limitations of this study are that findings are only applicable for the pharmaceutical industry. Also, since the sample is relatively small (N=25) it might be hard to replicate the findings of this study. This might alter the generalizability ability.

The original value of this study is that it is a step towards understanding what kind of CSR factors that contributes to competitive advantage for pharmaceutical companies.

Key words: pharmaceutical, CSR, corporate social responsibility, competitive advantage.
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1. Introduction

This introducing chapter starts by providing a background to corporate social responsibility. Second, it presents the problematisation that ends up in the research question and purpose of this thesis. Finally, the outline for the remainder of this thesis is presented.

The focal point of this thesis is corporate social responsibility (CSR) and how it can influence competitive advantage. One industry which is assumed to have a very high level of social responsibility is the pharmaceutical industry. Companies in this industry often faces criticism among stakeholders, and as a results, this might harm companies’ image. This thesis aims to explain what kind of CSR factors that influences competitive advantage for pharmaceutical companies.

It is agreed that CSR is companies’ integration between business and society (Porter and Kramer, 2006). The last decades have stressed the importance of CSR as the society demands companies to take social responsibility. Instead of acting in self-interest, companies’ economic and social purpose has become to generate wealth to all stakeholder groups (Clarkson, 1995). The concept of CSR is not new. In 1953, Bowen’s introduced idea of social responsibility is the foundation for modern corporate social responsibility. However, his arguments raised doubts during the time among several scholars and managers, who argued that a business is a rational institution free to pursue its own interest only as long as it operates legally (Kakabadse, Rozuel and Davies, 2005). The traditional view was that the government attended the need and welfare of the society, however, when the needs from the society exceeded the governments’ capacity to fulfil them, this idea was questioned (Jamali and Mirshak, 2007). Still, it is not until the last two decades that CSR has evolved and increased in importance (Carroll and Shabana, 2010).

CSR is not easily conceptualized. On the contrary, the definition depends on the context and the nature of the environment. For example, the application of CSR differs in Europe and the US (Matten and Moon, 2008). CSR in the US is based on the assumption that corporate policy deals with social responsibility based on expectations from stakeholders. In Europe, CSR activities are based on countries’ formal and informal institutions, such as rules, laws and norms. Thus, instead of a voluntary CSR approach (US), there is a demand for certain CSR activities in Europe (Ibid). Another reason that CSR does not have a clear definition might be due to several closely related concepts, such as: corporate citizenship which advocates that

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companies as good citizens should improve the welfare in the community they operate within (Matten and Crane, 2005). Another closely related concept is business ethics, which refer to ethical codes that act as a guideline for companies’ operationalization (Donaldson and Dunfee, 1994). Further, stakeholder management refers to how companies should manage their relationship with their main stakeholders (Hillman and Keim, 2001). Also, corporate social performance, which refers to the outcome of the social responsibility activities, is a related concept as well (Carroll, 1979; Wood, 1991). This thesis uses the following definition of corporate social responsibility: “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.” (Carroll, 1979, p. 500).

The increased importance of CSR is stressed by globalization and the increased access to information (Jamali and Mirshak, 2007). With an increased demand for transparency, governments, activists, and the media have started to scrutinize companies’ business operation and hold them responsible for their actions (Porter & Kramer, 2006). For example, large companies worldwide have faced increased attention by stakeholders. Due to several scandals (fraud, bribes, scams etcetera) large organizations often face criticism from their stakeholders (Skarmeas and Leonidou, 2013). Somewhere along the way, trust towards large companies, in particular towards pharmaceutical companies, decreased (O’Riordan and Fairbass, 2008; Skarmeas and Leonidou, 2013). It is said that the pharmaceutical industry is one of the industries with the greatest responsibility towards society. (Salton and Jones, 2015). This derives from the idea that pharmaceutical companies should act mainly in their consumers’ interests since their products are in the health-care sector. Their products are assumed to raise the living standards among people in the world. For instance, stakeholders often think that companies overcharge the price for their products (Esteban, 2008). In contrast, business managers within pharmaceutical companies struggle with issues such as: animal testing, large capital intense risky projects, excessive profits etcetera (O’Riordan and Fairbass, 2014). These issues contribute to stakeholders’ scepticism towards pharmaceutical companies.

Scholars agree that if companies, specifically large corporations, would disregard social responsibility, it would be destructive for them (Clarkson, 1995). Hence, engaging in CSR issues might be seen as a hygiene factor. Still, it can also raise several benefits for the companies. Prior studies show that corporate social responsibility actions, properly managed, can provide a positive image, consumer trust and financial performance (henceforth competitive advantage) (Branco and Rodrigues, 2006; Hur, Kim and Woo, 2014). Based on
this assumption, CSR might be viewed as a source of competitiveness, rather than a hygiene factor (Porter and Kramer, 2006). Thus, the importance of CSR might be viewed from two perspectives. First, due to stakeholder expectation and pressure, the company is demanded to perform certain social responsibility actions. Second, when implementing these desired social responsibility actions, it can lead to sustainable competitive advantage, one much demanded attribute for companies (Hoëfller and Keller, 2002). As Elkington (2006) remarks, CSR has shifted from a legitimacy perspective to a perspective of competitive advantage and corporate governance.

With argues that CSR can influence competitive advantage, the focal point of this study is to explain what kind of CSR factor’s than contributes to competitive advantage. This leads to the problematisation of this thesis.

1.1 Problematisation

In this problematisation I highlight a gap concerning the outcome of CSR activities. Prior studies show that CSR is a source of competitive advantage (Porter and Kramer, 2006; Hur, Kim and Woo, 2014), however in general, the pharmaceutical industry’s companies struggle to keep their stakeholders satisfied with the companies CSR activities (O’Riordan and Fairbass, 2014). Hence, pharmaceutical companies might not generate competitive advantage in the same extent as companies in other industries do. Thus, understanding what kind of CSR factors that influences competitive advantage should be a matter worth attention. To the best of my knowledge, no prior research has addressed this. Thus, what follows in this problematisation is a discussion concerning why there is a growing urgency to address this particular issue.

When it comes to corporate social responsibility, there might be a debate whether companies engage in CSR since they want to contribute to society, or if they strive for competitive advantage. Nevertheless of the purpose, competitive advantage(s) seem to follow when companies engage in socially responsible manners (Branco and Rodrigues, 2006; Hur et al., 2014). In prior research, one main indicator for competitive advantage is financial performance (Carroll and Shabana, 2010). The reason for using financial performance as a measure of competitive advantage is that it should reflects stakeholders’ attitude towards companies. Branco and Rodrigues (2006) argue that when companies can gain loyalty from stakeholders, it can result in an increased financial performance. One might speculate whether if it is engaging in socially responsible manners that enhance financial performance, or if
companies with high financial performance are more prone to engage in social responsibility issues. One argue behind this latter could be to reduce the company’s taxable income (Ibid). Regardless of the relationship, it is found that companies engaging in corporate social responsibility face an increase in financial performance. Thus, in this research, when discussing competitive advantage, I refer to financial performance. Worth to mention is that prior findings also indicate that benefits from corporate social responsibility are not totally homogeneous (Carroll and Shabana, 2010). That is, all companies might not gain the same kind of competitive advantage to the same extent. Since pharmaceutical companies’ involvement in social responsibility have not generated the same competitive advantage as other industries have, it might be the case for the pharmaceutical industry. Or even yet, the pharmaceutical companies have not yet addressed the right kind of CSR factors. By understanding what kind of CSR factors that affects competitive advantage, this issue might be solved.

While companies’ social responsibility has risen in extent, there is still little research that addresses the issue of what kind of CSR factors they should address. Porter & Kramer (2006) advocate that a company needs to prioritize its social issues in order to understand how they should address certain CSR issues. One company cannot address all social issues that exist, and thus it is importance to address the right kind. The importance of realizing the most important CSR activities in the pharmaceutical industry arises from a high uncertainty regarding what kind of social responsible issues to engage in. Prior research remark that pharmaceutical companies are assumed to have a very high level of social responsibility compared to other industries (Salton and Jones, 2015). In this thesis, I argue (see 2.3 frame of references) that the main CSR factors companies can address are: human rights, labour practice, environment, fair operating practice, consumer issues and community involvement and development.

Deriving from a stakeholder theory perspective, stakeholder capitalism suggests that investing time and resources in stakeholders’ interests should be a prior activity among business managers (Freeman, Martin and Parmar, 2007). There has been a change in management thinking where maximizing shareholder wealth is no longer solely in focus. Instead business managers need to evaluate to whom they are responsible, and how far that obligation extends (O’Riordan and Fairbass, 2014). Not only does the company need to perform social responsibility activities in order to satisfy stakeholders’ interest, they also needs to perform the right kind of social responsibility activities. The realized CSR activities must fit the
stakeholders’ expectation in order to generate any positive outcome (Brammer and Pavelin, 2006). If there is an absence of this fit, then not only does the CSR activities not generate any competitive advantage, but the social responsibility activities can also harm companies’ image (Ibid). Given the importance of promoting and realizing the right kind of CSR activities, it has created a demand for CSR research to come up with a framework which emphasize on what kind of CSR factors that matters the most (McWilliams, Siegel and Wright, 2005). The idea of a CSR framework gets support by Salton and Jones (2015) who argue that developing an industry specific framework for CSR guidelines could be the answer to enhance the outcome of corporate social responsibility.

In the context of pharmaceutical companies, it has been argued by prior research that human rights are an issue that needs to be addressed (Esteban, 2008). But to what extent should companies promote human rights issues in their CSR activities? One question that might be of relevance is to ask how far social responsibility really extends. If the company where to produce a drug that would revolutionise the medical industry and save countless of lives, would it then be acceptable by stakeholders to have done testing on animals in order to generate this drug? Or is it acceptable for the companies to invest largely in capital intense and high risky projects with the aim to cure an epidemic, instead of using these resources to aid afflicted in the third world? Pharmaceutical companies’ products are sold over the world to improve living conditions, and thus their social responsibility might be more focused on a global scale and less focused on local issues, such as developing local communities. By understanding what kind of CSR factors that affects competitive advantage for pharmaceutical companies, these questions might be answered.

Notably, the critical viewer might state that addressing the CSR factors that generates competitive avenge is more of a governance issue rather than a philanthropic action. That is, CSR might not be about having a positive impact on the society, rather it is a governance issue which requires the company to act in a specific way. If the company then addresses the expected CSR issues it might not be since they strive to make a contribution to the society, rather that they realize that they have to do this. Hence, the companies that addresses the “wrong” kind of CSR issues might just be the companies that actually strive to make an impact on the society, rather than striving for competitive advantage.
Summing up this problematisation: in general, pharmaceutical companies struggles to generate competitive advantage from corporate social responsibility. Thus, this study aims to find out what kind of CSR factors that contributes to competitive advantage for pharmaceutical companies. By doing this, the gap presented in the beginning of this problematisation should be addressed. The next section presents the research question and purpose of this thesis.

1.2. Research question and purpose

The following serves as research question for this thesis:

*What kind of corporate social responsibility factors influence competitive advantage for pharmaceutical companies?*

With this research question the following purpose serves this thesis:

*To explain what kind of corporate social responsibility factors pharmaceutical companies should address in order to generate competitive advantage.*

1.3. Outline

The remainder of this thesis continues in the following way: the next chapter reviews the theoretical model. The third chapter presents the literature review where important aspects are brought up. In addition, this chapter review the theoretical model which the hypothesis of this thesis rests upon. Next, the fourth chapter describes how the empirics where gathered. The fifth chapter analyses the findings of this research, meanwhile the sixth chapter discusses these findings and concludes with a conclusion.
2. Theoretical method

In this chapter the research philosophy, research approach, frame of references, research method and source criticism are presented.

2.1 Research philosophy

This thesis uses a positivistic approach to research. When conducting research, there are several research philosophy approaches to accentuate. In this thesis my intention is to understand what kind of CSR factors that influences competitive advantage for pharmaceutical companies. Given the research question and purpose of this thesis, my intention is not to interfere with the social environment, rather to observe it. The intention to generalize the results based on observed behaviour in the environment, advocates a positivistic research philosophy approach (Bryman and Bell, 2011).

2.2 Research approach

There are basically two main approaches which researchers need to decide on, either a deductive or an inductive approach. The inductive approach uses observations and patterns which lays foundation for hypotheses and new theories. This research uses the deductive approach since existing theories and models are used in order to formulate hypotheses, and ultimately form conclusions from the material (Bryman and Bell, 2011).

2.3 Frame of references

In order to categorize CSR factors, I use The International Organization for Standardization (ISO) 26000 guidelines for social responsibility. This organisation is the largest developer of voluntary international standards (About ISO, 2015). Their standard on social responsibility (ISO: 26000:2010) remarks that what is included in corporate social responsibility is based on the expectations of societies. Given the definition of CSR: “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.” (Carroll, 1979, p. 500), ISO 26 000’s guidelines for social responsibility should be sufficient. Further, O’Riordan and Fairbass (2014) argue that using ISO 26000’s six factors guidelines for social responsibility (human rights, labour practice, environment, fair operating practice, consumer issues and community involvement and development) could be a way of understanding how to manage stakeholder relationship.
One could have used other frameworks for CSR as well (see table 1- CSR issues). However, the main argument for choosing ISO 26000 as framework for CSR is that it contained detailed and available information about the different CSR activities. As outcome of corporate social responsibility I use competitive advantage.

2.4 Research method

When the researcher is to gather empirics, there are two choices to consider, either a qualitative or a quantitative approach. In some specific cases, there can be a combination of these as well (Bryman and Bell, 2011).

Given the nature of this thesis, I use a quantitative approach since the aim of this thesis is to explain what kind of CSR factors that influence competitive advantage for pharmaceutical companies. In order to create a valid research it is desired to have well defined concepts (Ibid). Thus, in this thesis the concepts refers to ISO 26000’s six factors of CSR.

2.5 Source criticism

The theoretical part of this thesis comes with limitations as well. First, the scientific articles chosen as references might not be reliable or valid. For instance, the studies might have been conducted in different contexts and hence it may create a difficulty to generalize the results to this study. Thus, in order to restrict this issue I have scrutinized the articles to the best of my ability. Also, the ambition has been to find two or more articles that promote the same results. Additionally, I have tried to restrict the chosen articles to those that are published in influential and trusted journals according to (Academic Journal Quality Guide, 2010). Second, when determining the factors of CSR, ISO guidance on social responsibility has been chosen. I do not state that this is the universal best alternative when creating a CSR framework since there are several others as well. However, ISO is one of the most influential organizations which work to enhance CSR practice globally, and thus, in general their framework should be among the top alternatives.
3. Literature review

This literature review starts by introducing the theoretical model that this thesis rests upon. Next, the different factors in this model are presented. While presenting the corporate social responsibilities factors and how they are assumed to affect competitive advantage, hypotheses are presented.

The common understanding is that CSR is the relationship between a business and the larger society. Even though this is the common understanding of what CSR is, there is a disagreement between many scholars concerning what factors to include in the CSR concept. In 1979, Carroll contended that the four main factors of CSR are; economic responsibility, legal responsibility, ethical responsibilities, and discretionary responsibilities, notably, this was defined in the late 70’s. Companies have a responsibility to produce goods and services which the society wants, thus the economic responsibility. Legal responsibility advocates that companies must follow the legal procedures created by institutions. The ethical responsibility refers to operating in line with the expected behaviour the stakeholders have on the company. Finally, the discretionary responsibility refers to the voluntary actions by the company, which are not expected, rather desired by stakeholders (Carroll, 1979). Notably, these CSR activities are based on the expectation of the society, thus, the importance of the different activities has altered with time. Carroll (2015) argues that today, companies are expected more to embrace the ethical and discretionary responsibility. Notably, providing a solid financial result for shareholders and acting in accordance to law and regulations might be seen as hygiene factors nowadays rather than expected CSR issues. Hence, when discussing CSR, embracing the activities that are not required by law are more of current issues (Ibid).

Since Carroll’s (1979; 2015) definition, there have been several attempts to include or exclude factors when conceptualizing CSR. There are several institutions that aim to develop best practice of CSR, such as United Nations Global Compact, World Business Council for Sustainable Development (WBCSD), Dow Jones Sustainability Index, and ISO (Gjølberg, 2009). These organizations main issue for corporate social responsibility are illustrated in table 1. However, the table of factors that the table illustrates may not be the exact same ones as the different institutions uses. Rather, the table’s factors are based on adjacent or synonymous words from the institutions promoted CSR factors.
### Table 1- CSR standards

<table>
<thead>
<tr>
<th>Institutions /Issues</th>
<th>United Nations Global Compact</th>
<th>WBCSD</th>
<th>Dow Jones Sustainability Index</th>
<th>ISO 26 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment and sustainability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Human rights</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Economic performance</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Business practice</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Citizenship and local community development</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Sources: (UN Global Impact, 2015; CSR: meeting changing expectations, 2015; Corporate Sustainability, 2015; ISO 26000:2010)

As the table illustrates, the institutions more or less focus on the same kind of CSR factors, however, what differs is to which extent they promote the different CSR factors. This is later discussed in (2.3 Frame of references).

As illustrated, one modern approach towards understanding which factors to include in CSR is to presuppose ISO 26 000 guidance on social responsibility (O’Riordan and Fairbass, 2014). This advocate that the main issues for CSR are: human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development (ISO 26000:2010). In this thesis, these issues serves as the core CSR issues that companies might address. Additionally, in ISO 26 000´s guidance for social responsibility there is one core issue called organizational governance. This factor deals with how companies should act in order to reach their objectives. However, this factor is not included in this research when discussing CSR. The reason for this is that the aim with this thesis is to explain what kind of CSR factors that generate competitive advantage. Hence, the factor is closely related to the purpose if this thesis.

Based on ISO 26 000´s guidance for social responsibility the following theoretical model is suggested:
Figure 1- The theoretical model

The following sections explain the different factors in this model and discuss how the different CSR factors are supposed to influence competitive advantage in pharmaceutical companies.

3.1 Competitive advantage

Outcome of corporate social responsibility has been a research issue that several researchers have used different means (i.e. financial performance, company image) in order to measure. Traditionally much of the measures have been to focus on the financial performance of companies. That is, when companies address certain social responsibility activities, in the best of worlds it is reflected by a positive financial performance (Henisz, Dorobantu and Narrey, 2014).

From a stakeholder theory perspective, it is argued that companies are seen as nests of contracts. That is, companies are connected to its stakeholders through different contracts. When the company can minimize the cost of contracting (improve stakeholder loyalty), it often leads to an increase in financial performance (Barnett and Salomon, 2012). One way of gaining loyalty from stakeholders are to address certain CSR issues. That is, gaining loyalty from stakeholders might be a way to minimize contracting cost and generate financial performance. Thus, using financial performance measurement might be a way to reflect not
only financial efficiency in companies, but also how stakeholders perceive the companies. However, whether it pays off to be socially responsible depends on how well the company addresses the different CSR issues (Ibid). In a time where competition between businesses increase (Hoeffler and Keller, 2002), enhancing competitiveness serves as an important issue for business managers. Thus, not only can companies gain legitimacy in their business operation, but they might also differentiate from competitors.

Competitive advantage can be generated both internally and externally (Branco and Rodrigues, 2006). On an internal level, companies can lower the operational cost by reduced usage of resources, energy and material. Thus, enhance financial performance. On an external level, companies that addresses corporate social responsibility issues gains a positive reputation and loyalty from stakeholders. As a result this can increase the financial performance. For instance, one major criterion in order to attract, retain and motivate the most desirable employees for companies are to be associated with a high level of CSR (Bhattacharya, Sen and Korschum, 2008). With motivated and highly desirable employees it may generate an enhanced financial performance (Branco and Rodrigues, 2006). In the context of pharmaceutical companies, attracting and retaining the most desirable employees might serve as an extra important issue since it is considered as a knowledge intensive industry (Edmans, 2012).
3.2 Human rights

The human rights factor is divided in two main categories; the first is the civil and political rights, whereas the second factor concerns the economic, social and cultural rights. The following section is an extract from ISO 26000:

Human rights are the basic rights to which all human beings are entitled. There are two broad categories of human rights. The first concerns civil and political rights and includes such rights as the right to life and liberty, equality before law and freedom of expression. The second category concerns economic, social and cultural rights and includes such rights as the right to work, the right to food, the right to the highest attainable standard of health, the right to education and the right to social security (ISO26000: 2010, p. 23).

This human rights factor is closely related to corporate citizenship (henceforth CC) which is entitled to three aspects; civil rights, social rights and political rights (Matten and Crane, 2005). Civil rights contain the right to freedom free from abuses and interference by third party. One of the most important issue is the right to own property, right to speak free and engage in free market. Social rights are the rights to be a function of the society, for example, right to education, healthcare, and etcetera. The third aspect, political right is the right to participate in the society, such as voting (Ibid). Formerly, it was the government’s responsibility to provide these rights to citizens, however since companies has become such powerful public actors, the responsibility has transferred to companies as well (Carroll, 1998).

If companies where to choose merely one CSR engagement, enhancing the human rights globally should be the priority unconditional (Wettstein, 2009). However, many international corporations neglect to make a contribution to human rights since legal obligations which push human rights are only intended for governments (Ibid).

Even though the human rights are one of the main factors in ISO 26000, and argued to be the very core of CSR engagement for companies (Wettstein, 2009). Carroll (1998) concludes that the society often expects the corporations to strive to enhance the human rights, i.e. participate in corporate citizenship. Since it is argued that companies in the pharmaceutical industry have a high relative social responsibility (Salton and Jones, 2015) and their products are assumed to raise the living quality of consumers (Esteban, 2008), one might assume that pharmaceutical companies should actively engage to enhance human rights. This calls for the first hypothesis:
Hypothesis 1: Pharmaceutical companies addressing human rights issues will have a strong positive effect on competitive advantage.

To conclude, CSR activities in human rights involve activities with the aim to improve living condition for human beings. Enhancing human rights might be seen as an obvious activity, in particular for pharmaceutical companies, thus if the company engage in human right issues, competitive advantage should be affected strongly.

3.3 Labour practices

Labour practices contain CSR issues regarding how to improve the employees working condition i.e. employee satisfaction. Typical issues and matters which companies are expected to engage in are: fair recruitment procedures, promotion, fair grievance procedures, training and developing employees, and provide an working environment with health, safety and industrial hygiene as core values (ISO 26000: 2010).

Providing for the employees interests and develop their traits has long been a topic for human resource management (HRM). Seeking competitive advantage(s) though managing the human resources in company is and will remain to be one key issue for business managers to consider (Guest, Michie, Conway and Sheehan, 2003). The resource based view advocate thus, that developing sustainable competitive advantage(s) through resources which are hard to replicate are of utterly importance for companies. The HRM theories truly advocate that employees are valuable, especially in knowledge intensive businesses, such as the pharmaceutical industry (Edmans, 2012). Former research argue that one major challenge for modern business are to integrate the HRM with CSR engagement. If HRM where to embed social responsibility spirit throughout the company by applying routines, procedures and general guidelines for business ethics, the outcome of CSR activities could be enhanced (Jamali, El Dirani and Harwood, 2015).

Even though ISO 26000 advocate that labour practice enhances the CSR engagement in the company, prior research has also found that the relationship is two-fold. If a company applies CSR engagements, the employees are more motivated at work and their satisfaction enhances (Koh and Boo, 2004). Some scholars even argue that improving the working condition for the employees is more than CSR engagement, it is one of the core issues for any company. The importance of employee satisfaction, development and advancement are fundamental issues for companies’ success (Snider, Hill and Martin, 2003). Thus, based on these arguments, the following hypothesis is defined:
Hypothesis 2: Pharmaceutical companies addressing labour condition issues will have a strong positive effect on competitive advantage.

To conclude, if companies address labour practice issues which enhances the employees’ satisfaction, prior research has found that the outcome of CSR should be enhanced. This serves as extra important in knowledge intense industries such as the pharmaceutical industry, thus, competitive advantage should be strongly enhanced.

3.4 Environment

No matter where companies are located, they have an impact on the environment. It might be use of resources, location of activities of the company, amount of pollution and wastes etcetera. Reducing and limit these impacts should be a major priority for companies CSR activities (ISO 26000: 2010).

The impact on the environment has given rise to a hot topic among CSR research, namely sustainability (Carroll, 2015). It is common for large companies to hold a proactive approach to environmental issues and care for the ecology at large. This is done by implementing operational details in companies’ activities, or by using core values which promote environmental protection (Snider et al., 2003). Porter and Kramer (2006) remarks that the principle of sustainability is that companies secure long term economic performance by avoiding short term harmful actions on the society and environment. The stressed importance of sustainability has lead several companies to publish documents e.g. sustainability reports, which describes their actions to care for the environment.

Sustainability is both present oriented and future oriented. With present actions to reduce pollution, and use of resources, and future goals to reach a specific reduction of pollution and usage of resources, the carrying for future generations has become a topic on the agenda for several companies (Carroll, 2015). In the context of the pharmaceutical industry, Esteban (2008) contend that one major future challenge for pharmaceutical companies is to manage the ongoing environmental issues such as: water usage, pollution and so on. Hence, addressing environmental issues might be seen as important for pharmaceutical companies. Thus, the following hypothesis is defined:

Hypothesis 3: Pharmaceutical companies addressing environmental issues will have a strong positive effect on competitive advantage.
To conclude, since environmental issues are such a hot topic, and stakeholder groups are expecting companies to care for the environment, competitive advantage should be influenced strongly by environmental CSR issues.

3.5 Fair operating practices

This factor refers to how companies operate in relation to suppliers, customers, partners and other companies. Example of actions are: anti-corruption, responsible political involvement, fair competition and promotion of social responsibility in the entire value chain. That is, fair operating practice concern how companies relate to its environmental surrounding (ISO 26000: 2010).

One way of addressing CSR is to look at the intersection points the business and society have. Here Porter and Kramer (2006) conclude that promoting CSR activities in the supply chain is one of these intersection points. Promoting sustainability in the supply chain has been on the agenda for several companies during the last few years (Ciliberti, Pontrandolfo and Scozzi, 2008). Sustainable supply chains are something that is stressed in importance by various actors, such as: customers, non-governmental organizations (NGOs), society and investors (Maloni and Brown, 2006). Examples of activities to promote sustainability in the supply chain could be to introduce code of ethics or code of conduct which the business partners of the company should follow (Ibid). However, the impact companies might have on their stakeholders to address CSR issues often depends on the bargaining power (size of company) of the companies (Ciliberti et al., 2008).

Prior research contend that even though companies have been slow to implements sustainability in supply chain management, it is an issue which is assumed to increase in importance (Maloni and Brown, 2006). Thus, based on customers’ interest in sustainable supply chains and an increased importance of sustainable supply chain management, the companies’ social performance should be enhanced if companies performed well in this CSR pillar. Hence, the following hypothesis is defined:

_Hypothesis 4: Pharmaceutical companies addressing fair operating practice issues will have a positive effect on competitive advantage._

To conclude, since sustainability in supply chains seem to be an issue which continues to grow, I hypothesise that competitive advantage should be enhanced when pharmaceutical companies address fair operating practice issues.
3.6 Consumer issues

The consumer issue advocate that companies have a responsibility to its consumers. Selling the product is not sufficient, the company should additionally promote for the consumer rights, sustainable consumption and educate consumer in the company’s products (ISO 26000: 2010).

Providing consumers with information about product features and side effects are an unconditional right for consumers (Chapman and Liberman, 2005). When the company implements a way to communicate information about the product, they need to consider their audience group. Understanding the receiving audience is important since there can be different levels of analytical capability among the consumers. For example, many older adults have a harder time than the younger adults to understand product features (Hibbard and Peters, 2003). Thus, when one audience group do not possess the analytical skill which is necessary to evaluate products, there is a need for the companies to provide more accurate and detailed information about the product (Ibid). In the context of pharmaceutical companies, prior research contend that this is a complex industry with complex operationalization and products (O’Riordan and Fairbass, 2014). Thus, providing accurate information about product(s) should be of consumer interest, hence the following hypothesis is defined:

**Hypothesis 5:** Pharmaceutical companies addressing consumer issues will have a positive effect on competitive advantage.

To conclude, since pharmaceutical products might be considered as complex, and consumers lack the ability to analyse the product features, I hypothesize that pharmaceutical companies providing detailed information about their products enhance their competitive advantage.
3.7 Community involvement and development

Today, it is recognized that companies have a relationship with the community which they operate within. Thus, the companies also have a responsibility to develop the community. The companies’ main goal should be to increase the level of well-being in the community (ISO 26000: 2010).

According to prior research, not only the society or community prosper from companies’ community CSR engagement. Companies engaging in this CSR issue can also gain competitive advantage by providing to the community. For instance, employee loyalty enhances, and sales can be boosted since local consumers are more eager to purchase products or services from companies whom support the community (Maloni and Brown, 2006).

Common CSR engagement which aims to foster the community are philanthropic contributions (Carroll, 2015). This kind of CSR engagement can be traced back to Carroll’s (1979) discretionary responsibility, which advocated that these CSR engagements are not expected by stakeholder, but rather desired. Hence, there should be a strong positive effect on customer brand equity when these desired CSR engagements to improve the community welfare are performed. Thus, the following hypothesis is defined:

*Hypothesis 6: Pharmaceutical companies addressing community involvement and development issues will have a strong positive effect on competitive advantage.*

To conclude, companies addressing the issue to improve the well-being in the community they operate within might not be expected to do this. However, it might be seen as a desirable activity, thus this might indicate that it should enhance competitive advantage strongly.
4. Empirical method

The aim of this section is to present my research strategy and research design, sample, empiric operationalization and empirics’ collection. Ultimately, this section ends with a discussion about reliability, validity, generalizability, and concludes with ethical considerations.

4.1 Research design and strategy

In this thesis I use an explanatory research design since the ambition is to explain what kind of CSR factors that affects competitive advantage for pharmaceutical companies. In order to address this, I used a cross sectional design. Applying this research design is very common when using a content analysis (Bryman and Bell, 2011). When conducting this research, I choose to emphasise a cross sectional design. If a longitudinal study would have been chosen it might result in empirics that would be hard to interpret. This is due to a cluster effect where one company would seem to represent several almost identical companies over a longer time frame. For instance, if I would use a five-year time frame and one company addresses relatively the same CSR factors during this time, it would seem that five companies are doing this. This might have resulted in findings that would provide a false statement. In order to eliminate this effect I used the cross sectional design.

The research strategy is defined as “a general orientation to the conduct of business research “(Bryman and Bell, 2011, p. 26). Here the authors’ distinct research into two major fields, qualitative and quantitative. Given prior argue (see 2.4 Research method), this thesis uses the quantitative strategy approach. Within the quantitative approach, I used a content analysis in order to understand what kind of CSR factors the pharmaceutical companies’ addressed. I choose to count the appearance of words that are related to any of the proposed CSR factors in pharmaceutical companies’ responsibility reports. By doing this, the ambition has been to understand to which extent they emphasize the different CSR factors. Worth to mention is that by applying this technique, I did not study the pharmaceutical companies realized CSR activities, rather their promoted activities. This might create an issue since one might assume that companies want to promote themselves from the best possible view. Thus, their promoted CSR activities might be exaggerated.
Once I gathered the empirics from the companies CSR reports, I used the material to see if there would be a relationship to companies’ performance. As mentioned previously, financial measures are a common measurement when it comes to competitive advantage. Thus, I have applied this measurement as well.

4.2 Sample

In Appendix I, the different pharmaceutical companies representing this study are presented. These are all gathered from ranking the brand’s list over the Top 50 Global pharmaceutical companies (Top 50 Pharma Companies, 2014). The list is based on companies’ sales last year.

The criteria when screening the companies in the list has been that they need to publish either: CSR reports, sustainability reports, or a citizenship report. That is, when certain companies integrated their responsibility report with their annual report, these companies where left out of the study. The reason is that in annual report the content is much wider than in responsibility reports. Thus, not only matters of CSR are presented in annual reports and this might lead to wrong indications when counting the appearance of certain words. When the criteria were carried out, it resulted in 25 pharmaceutical companies.

Notably, the companies in the table are presented in alphabetic order and are not to be associated with their ranking position.

4.3 Operationalization

When conducting a research there is a need to be able to measure the different concepts. Bryman and Bell (2011) argue that operationalization serves as a process which converts concepts to measurable variables. What follows in this operationalization is an explanation of the dependent variables, independent variables and finally the control variables.

4.3.1 Dependent variables

As I have argued previously, one preferred outcome of corporate social responsibility is competitive advantage. Notably, competitive advantage can be obtained by several other factors, and corporate social responsibility is merely one factor out of these. This should be kept in mind when reading the proceeding of this thesis.
In prior research, when outcome of corporate social responsibility activities has been operationalized, it has been done in different ways. One of the most traditional and most accepted ways of measuring competitive advantage is to look at financial performance (Hillman & Keim, 2001; Henisz et al., 2014). Brammer & Millington (2008) argue that financial performance, as an outcome of corporate social responsibility, traditionally often is measured either with a profitability measure or an accounting measure. When the company addresses the right kind of CSR factors it is often reflected by an increase in its financial performance (Barnett and Salomon, 2012; Henisz et al., 2014).

Prior research, which have used financial performance as a measurement for competitive advantage, has used different financial indicators. Barnett and Salomon (2012) used return on assets (ROA) and net income as indicators when they confirmed financial performance. I follow their recommendation by applying ROA as a dependent variable. However, since pharmaceutical companies differ largely in size, the net income might not be of interest. Thus, instead I use profit margin (PM) which is net income divided by total revenues. This measure might be more of interest since it shows how efficiently the company operated. This measure is applied due to Brammer & Millington’s recommendation that profitability measures also are of interest when looking at financial performance. Additionally, I use return on equity (ROE). This dependent variable shows how profitable the companies have been to profit from shareholder investment. This measure has also been used in prior research that investigated corporate social responsibilities outcome (Arya & Zhang, 2009). By using three different types of financial performance, the intention is to find out whether some kind of financial performance is affected by the proposed CSR factors. If only one dependent variable would have been chosen, it might just reflect a small part of financial performance.

The dependent variables are based on one year’s later performance than the responsibility reports published year. That is, if the responsibility report is from 2013, then the financial measure is based on 2014 years result. The reason for this is that stakeholders might need time to react and reflect on companies’ CSR approach, and thus one year’s later results might be sufficient enough to determine the outcome of companies approached CSR issues. Truly, one might speculate about how long time stakeholders need to evaluate and reflect on companies CSR approaches, however, due to simplicity, I use one years’ time frame.
In sum, I use return on assets, return on equity and profit margin as measures to determine financial performance. The financial performance is measured since it is argued to reflect competitive advantage(s). Notably, the aim is not to investigate how the financial performance is determined by CSR issues, rather how the companies competitive advantage is affected by it. I merely use financial measures as an indicator to determine how competitive advantage is affected by different CSR issues. To the best of my knowledge, no prior research has addressed what kind of CSR issues that affects competitive advantage. Thus, no bests practice exists when it comes to discussing what kind of measures that are most appropriate when measuring this kind of issue. Hence, there might be more efficient measures than financial performance to determine competitive advantage. For instance, one might look at brand equity. The reason why I do not choose this approach is that financial performance might be a more time efficient approach to use when it comes to writing theses.

One major disadvantage with using financial performance measures might be that company’s financial performance might be a temporary boost, caused by external factors, not related at all to social responsibility issues. Thus, comparing the rise in the companies’ financial performance to addressed CSR issues might not be best practice when it comes to measuring competitive advantage. Still, avoiding this disadvantage might be pointless to pursue. If one where to measure i.e. companies brand equity, then there might also be external factors that determines this variable to a wider extent than addressed CSR issues do.

4.3.2 Independent variables

The independent variables are chosen to represent the six different CSR factors that are promoted by ISO 26 000. All of the variables are explained in the literature review. Bellow the different key words for each CSR factor is presented.

**Human rights:** when screening the responsibility reports, frequently existing words which pharmaceutical companies used to promote human rights issues are: discrimination, child, human right(s), compulsory, access (to health care) and health. These words measure to which extent pharmaceutical companies addresses human right issues.

**Labour practices:** in this variable, typical words where: employee, training, safety, incident, diversity, illness, injury, workplace, career and talent. These words measure to which extent pharmaceutical companies addresses labour practice issues.
Environment: the environment variable contained words as: energy, consumption, recycling, pollution, emission, climate, sustainability, waste and environment. I have used these words to measure to which extent pharmaceutical companies addresses environmental issues.

Fair operating practice: typical words when referring to fair operating practice where: supply chain, corruption, supplier, animal, ethic, code of conduct/ and or ethics, political and value chain. These words measure to which extent pharmaceutical companies addresses fair operating practice issues.

Consumer issues: in this variable, typical words where: patient, consumer, customer, transparency. These words where used to promote human right issues.

Community involvement and development: when referring to this variable, the reports contained the following words: citizenship, community, local, resident and region. This variable measures to which extent pharmaceutical companies’ address community involvement and development issues.

4.3.3 Control variables

As control variables, I use the size of the pharmaceutical companies (number of employees) and the companies’ geographical location. This later control variable is measured through, US, European, Asian and other companies. The reason for choosing size of company as a control variable is since there might be a tendency for larger companies to address CSR issues differently from smaller companies. Further, the geographical location is chosen as a control variable since there might be different approaches to social responsibility among pharmaceutical companies in different parts of the world.

4.4 Empirics collection

In order to gather empirics, I have used a content analysis. This type of approach is defined by Bryman and Bell (2011) as: “An approach to the analysis of documents and texts that seeks to quantify content in terms of predetermined categories and replicable manner” (p, 291). When conducting this research, I have counted the appearance of particular words that occurs in the chosen companies’ sustainability reports. When the words where gathered I calculated the relative occurrence of the words. That is, I calculated how much company X addressed i.e. human rights relatively to all the other CSR factors. In this way, I could find out what kind of CSR factors the different companies addressed most intensively. Also, this eliminated the effect the companies’ pages of sustainability report might have on the empirics. If one
company would have a responsibility report with more pages than the others, then it should be
natural that the occurrence of words would be higher. When the key words had been collected
for one CSR factor, I calculated the total sum for these words and compared it later to the total
number of words. The total numbers of words are the words that all the CSR factors
contained. In this way, I could get a relative measure of how pharmaceutical companies
addressed one CSR factor compared to the other. Critically viewed, this approach does not
emphasize on to what extent companies engage in socially responsible issues. It could be that
company X might only have ten percent of their total CSR engagement devoted towards one
issue, meanwhile company Y devotes 50 percent of their CSR engagement to the same issue.
Still, company X might yet put more resources into this CSR issue than company Y since no
information is provided regarding how much resources the companies devote to CSR in total.
If company X puts more emphasize on CSR in total, then 10 percent of their total CSR
devotion might reflect a higher devotion than company Y’s 50 percent devotion. Hence, using
the measure that is used in this thesis might be jeopardized by this kind of scenario.

One other disadvantage with this type of empiric collection might be that I do not emphasize
on pharmaceutical companies actual CSR behavior, rather on what they promote that they are
doing. This may be able to have been overcome by using a slight different research strategy.
For instance, one might look at how stakeholders perceive companies CSR engagement,
however, this approach might be very labor intense and it might not be sufficient with merely
one research to address this. It might be that different stakeholder groups have different
preferences and opinions, and thus, it might indicate that several studies are needed. In order
to overcome this issue, I focus only on the promoted CSR factors in pharmaceutical
companies’ responsibility reports.

When counting the words in the responsibility report, I did this in the year prior to the
dependent variable. That is, when profit margin, return on assets and return on equity was
addressed 2014, then the responsibility report had to be from 2013.

One issue that occurred in the empirics gathering process was that some companies used
different kind of words when referring to the same issue. Thus, to the best of my ability I have
interpreted the words that are synonymous with each other’s in the different companies’
sustainability reports, e.g. in the pharmaceutical industry several companies uses the term
patients as a synonymous for the consumers. Also, when companies in different industries for
example refer to their CSR activities that addresses human rights, might use different words to
promote their activities. Thus, to the best of my knowledge I have attempted to find these

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words so the measurement can be as fair as possible. Later these counted words was used in the statistics program SPSS where the relative occurrence of words where compared the pharmaceutical companies ROA, PM, and ROE.

4.5 Data analysis
When analysing the empirics in this thesis, three main stages has been conducted. First, in order to investigate whether the variables are normally distributed, a test of normality has been used. Second, with a correlation matrix the aim has been to investigate the strength of the relationship between the variables. And third, by applying a multiple regression test the hypotheses have been tested. Since this research is conducted within business administration, one can accept a significance level of ten percent, rather than the usual rule of five percent (Umans, 2012).

4.6 Reliability and Validity
When conducting a content analysis research paper, it is often argued that this type of research approach generates a high level of reliability. The content analysis is said to have a high level of reliability since the empirics are hard to interpret in more than one way. However, when looking at the sustainability reports that has been analysed, the content might be considered as subjective since one might assume that companies want to promote their strengths, rather than their weaknesses. Still, by using the technique described in (4.1 Research design), a relatively measure of to which extent the companies address the different CSR activities. Thus, not only their strengths are highlighted, but also if they promote one CSR activity intensively, the others decreases. Another issue that also might affect the reliability is the fact that different companies use different key words when they refer to the same context. For example, some pharmaceutical companies use the term patients instead of consumers. Thus, this has called for some alterations in the empirics gathering. For instance, when consumer issues where investigated, both consumer, customer and patient often referred to the same context. With such alterations, it might contribute to a difficulty to replicate the exact findings. Still, the overall results should be the same if a retest would be done.

In order to make this research a valid study, the variables must reflect the key concepts (Bryman and Bell, 2011). The variable are chosen from ISO 26 000’s guidance on corporate social performance, and since this standard is one of the world’s largest and most recognized standards, this should serve as sufficient when discussing CSR issues. Since this study has used a content analysis and counted the appearance of certain key words connected to
different CSR factors, some misleading occurrences has surely occurred. Such as, when looking at one variable, one key word might be emphasized very intense, however, the word might be used in another context as well. Thus, is might provide a misleading result. However, in order to limit this issue, I have to the best of my ability only used words which are frequently promoted in only one particular CSR factor, such as: recycling and waste in the context of environment. Additionally, one external person who has no interest in this research has aided in the empirics gathering and interpreted the content of the responsibility reports. He aided when trying to interpret what kind of key words the pharmaceutical companies used to promote the different CSR factors. The aim was to increase the objectivity by using an independent party´s opinion.

One assumption that I did in this research was that social responsibility generates competitive advantage. This assumption derives from several prior studies. In order to measure competitive advantage, it is argued prior that financial performance is an accepted measure. If this assumption would be rejected, it might alter the validity of this research.

4.7 Generalizability

According to Bryman and Bell (2011), the generalizability is often restricted to the population studied. Since this thesis has used the pharmaceutical companies as focal point, the generalizability should thus only include how they address their CSR activities. Still, since the pharmaceutical industry is claimed to have a very high level of CSR, the results might be generalized to other industries where the demand for CSR are not equally high.
4.8 Ethical considerations

One of the pros of content analysis is that the majority of the empirics is the same if a retest would be done. That is, manipulating the data is hard. One of the ethical considerations I have implemented in this study is to look only at responsibility reports. If annual reports would have been included, they might have promoted slightly different content. That is, the key words chosen to represent CSR factors, might not be used in annual reports in the same context. Thus, the results might be misleading and indicate that companies focuses on other CSR factors than what they actually do. By using only responsibility reports, it should make it easier to compare companies when it comes to how they emphasize different CSR related factors.

Additionally, in order to make sure that all companies have the same conditions to promote the different CSR factors, I have viewed the responsibility reports different sections in order to see what kind of key words they use for different CSR factors. When one company uses one key word intensively, another company might refer to the same CSR factor, but they might use a different key word. Hence, I have to the best of my ability tried to find all of these key words and put them together. Also, in order to increase the objectivity, this research has used an additional person in the empirics gathering.

Furthermore, this research papers aim has been to conduct a transparent research, which readers and other researchers easily can replicate. To the best of my ability, I have thoroughly described the operationalization, research design, and way of conducting this research.
5. Analysis

This chapter shows the findings of this research. The chapter starts with descriptive statistics, followed by correlation matrix, multiple regression line and ends with a rejection or acceptance of hypotheses.

5.1 Descriptive statistics

In table 5.1, the different variables are presented in order to illustrate an overview of the empirics. The geographical variables are excluded since they are categorical variables, and thus, the statistical data in this descriptive statistics table is of no interest. Instead, these variables are presented later in the sample section.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>25</td>
<td>115</td>
<td>463</td>
<td>22184</td>
<td>.082082</td>
</tr>
<tr>
<td>Labour practice</td>
<td>25</td>
<td>135</td>
<td>398</td>
<td>23924</td>
<td>.072937</td>
</tr>
<tr>
<td>Environment</td>
<td>25</td>
<td>136</td>
<td>416</td>
<td>27016</td>
<td>.090096</td>
</tr>
<tr>
<td>Fair operating practice</td>
<td>25</td>
<td>014</td>
<td>223</td>
<td>09976</td>
<td>.053403</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>25</td>
<td>037</td>
<td>333</td>
<td>11132</td>
<td>.068991</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>25</td>
<td>021</td>
<td>365</td>
<td>08000</td>
<td>.069122</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>25</td>
<td>-016</td>
<td>566</td>
<td>17752</td>
<td>.127077</td>
</tr>
<tr>
<td>Return on assets</td>
<td>25</td>
<td>-006</td>
<td>344</td>
<td>10148</td>
<td>.079582</td>
</tr>
<tr>
<td>Return on equity</td>
<td>25</td>
<td>-001</td>
<td>664</td>
<td>22766</td>
<td>.182736</td>
</tr>
<tr>
<td>Number of employees</td>
<td>25</td>
<td>4182</td>
<td>135696</td>
<td>42689.60</td>
<td>40851.018</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.1 shows that the sample of this study is 25 companies. Among these pharmaceutical companies, one can see that the main CSR factors they address are: human rights, labour practice and environment. This is illustrated by the mean. Additionally, there is a large difference when it comes to the size (employees) of pharmaceutical companies. The list that
the pharmaceutical companies are brought from consist of the 50 largest pharmaceutical companies in the world, however, what might prove interesting in this table is that there is a huge difference when it comes to these companies’ financial performance.

As my ambition has been to use a multiple regression line, it is preferable to have normally distributed dependent variables. Thus, in order to test this, table 5.2 assesses if the dependent variables are normally distributed or not.

**Table 5.2 - Test of normality**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov*</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit margin</td>
<td>.146 25 .181</td>
<td>.900 25 .018</td>
</tr>
<tr>
<td>Return on assets</td>
<td>.186 25 .026</td>
<td>.878 25 .006</td>
</tr>
<tr>
<td>Return on equity</td>
<td>.133 25 .200*</td>
<td>.905 25 .024</td>
</tr>
</tbody>
</table>

* This is a lower bound of the true significance.

Since the sample of this research is relatively small ≤ 50, it is often recommended to look at the Shapiro-Wilk test rather than the Kolmogorov-Smirnov test. If the variables are above five percent significance, then the material is considered as normally distributed (Pallant, 2010). Since the values provided in the table are significant, this illustrates that the dependent variables are not normally distributed. Thus, this called for an action to transform the variables. The results from the transformed data are provided in table 5.3.

**Table 5.3 - Test of normality revisited**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sq Profit margin</td>
<td>0.113 24 .200*</td>
<td>0.949 24 0.26</td>
</tr>
<tr>
<td>Sq Return on assets</td>
<td>0.134 24 .200*</td>
<td>0.957 24 0.389</td>
</tr>
<tr>
<td>Sq Return on equity</td>
<td>0.114 24 .200*</td>
<td>0.963 24 0.495</td>
</tr>
</tbody>
</table>

* This is a lower bound of the true significance.

The results provided in table 5.3 derive from the transformed dependent variables. The values for each variable (profit margin=0, 26; return on assets=0,389; return on equity=0,495) are above 5 per cent significance, which indicates that the dependent variables are now normally distributed. Hence, these values are used from now on.
5.1.1 Sample

The tables in this section illustrate how the sample is divided due to their geographical location. For a more accurate illustration of the pharmaceutical companies’ geographical location, view Appendix I.

**Table 5.4 - US sample**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Non US</td>
<td>15</td>
<td>60,0</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>10</td>
<td>40,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Table 5.4 illustrates that out of the chosen 25 pharmaceutical companies, ten of them are from United States.

**Table 5.5 - Europe sample**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Non European</td>
<td>20</td>
<td>80,0</td>
</tr>
<tr>
<td></td>
<td>European</td>
<td>5</td>
<td>20,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>100,0</td>
</tr>
</tbody>
</table>

In table 5.5 it is showed that five out of the chosen 25 pharmaceutical companies are European.

**Table 5.6 - Asia sample**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Non Asian</td>
<td>18</td>
<td>72,0</td>
</tr>
<tr>
<td></td>
<td>Asian</td>
<td>7</td>
<td>28,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>100,0</td>
</tr>
</tbody>
</table>

This table illustrates that in this sample seven pharmaceutical companies are located in Asia.
From Table 5.7 it becomes clear that two companies are located on other geographical locations (Australia and Israel).

An aggregative view of these tables show that most of the pharmaceutical companies are located in United States, however they do not possess majority of the sample. What might prove interesting by using geographical location as a control variable is whether it affects pharmaceutical companies’ financial performance. Could it be that due to institutional regulations and standards, pharmaceutical companies in one geographical location have a higher standard of CSR and thus it improves financial performance? This is tested in the multiple regression line.

5.2 Correlation matrix

The following correlation matrix illustrates the strength and relationship between the different variables. With the test of normality, I have proven that the material is normally distributed, and thus, Pearson correlation matrix is to prefer (Pallant, 2010). In the matrix the coefficients are situated somewhere zero and one, where one is a perfect relationship and zero indicates no relationship.
### Table 5.8 - Pearson Correlation matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std.Dev</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sq Profit margin</td>
<td>0.411</td>
<td>0.132</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sq Return on assets</td>
<td>0.307</td>
<td>0.111</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Sq Return on equity</td>
<td>0.452</td>
<td>0.185</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Human rights</td>
<td>0.222</td>
<td>0.082</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Labour practice</td>
<td>0.239</td>
<td>0.073</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Environment</td>
<td>0.270</td>
<td>0.090</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Fair operating practice</td>
<td>0.100</td>
<td>0.053</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Consumer issues</td>
<td>0.111</td>
<td>0.069</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Community involvement and development</td>
<td>0.080</td>
<td>0.069</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. US</td>
<td>0.360</td>
<td>0.490</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Europe</td>
<td>0.280</td>
<td>0.458</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Asia</td>
<td>0.280</td>
<td>0.458</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Other</td>
<td>0.080</td>
<td>0.277</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Number of employees</td>
<td>42689,600</td>
<td>40851,018</td>
<td>0.065</td>
<td>0.036</td>
<td>0.273</td>
<td>0.465*</td>
<td>-0.354†</td>
<td>-0.465*</td>
<td>0.412*</td>
<td>0.054</td>
<td>0.278</td>
<td>0.152</td>
<td>0.236</td>
<td>-0.338†</td>
<td>-0.101</td>
</tr>
</tbody>
</table>

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10
In table 5.8 - Pearson Correlation matrix, it indicates that several variables correlate with each other. In order to understand to what extent they correlate with each other, I follow Pallant (2010) argues: when the R-value is between 0, 5 and 1.0 it illustrates a strong correlation. With this in mind, the table illustrates that human rights correlates strong with both labour practice (-0,502) and environment (-0,721). Labour practice is strongly correlated with fair operating practice (-0,525) and Asian companies (-0,546). Fair operating practice is strongly correlated with and Asian companies (-0,508) and slightly with European companies (0,492). Consumer issues are strongly correlated with profit margin (0,615). Additionally, the dependent variables that emphasize on financial performance are strongly correlated to each other.

5.3 Multiple regression line

In order to investigate to which extent all the variables affects the dependent variables, I use a standard multiple regression line. Since Pearson correlation matrix showed that some of the independent variables correlated with each other, I use three models in the different multiple regression line models. The first model includes all independent variables and control variables. The second model excludes labour practice and the third model excludes the environment variable. These are excludes since these specific variables have a rather high correlation with some of the other independent variables, illustrated in the correlation matrix. In order to illustrate that the regression models are valid, I use the Variance Inflation Factor (VIF). This indicator illustrates to which extent one independent variable is not explained by other independent variables. According to Pallant (2010), multi-collinearity exists when the VIF value is above ten.

Worth to mention is that the adjusted R square value might be overestimated when conducting research with smaller samples (Pallant, 2010). Thus, in the regression models in this research, there might be a slight misleading indication regarding the adjusted R square value.
Table 5.9 - Multiple Regression model: Profit margin

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
<th>Model 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>0.158</td>
<td>0.545</td>
<td>-0.023</td>
<td>0.565</td>
<td>0.12</td>
<td>0.463</td>
</tr>
<tr>
<td>Labour practice</td>
<td>0.089</td>
<td>0.586</td>
<td>0.257</td>
<td>0.346</td>
<td>0.365</td>
<td>0.5</td>
</tr>
<tr>
<td>Environment</td>
<td>0.405</td>
<td>0.711</td>
<td>0.37</td>
<td>0.744</td>
<td>0.378</td>
<td>0.562</td>
</tr>
<tr>
<td>Fair operating practice</td>
<td>0.437</td>
<td>0.624</td>
<td>0.037</td>
<td>0.534</td>
<td>0.584**</td>
<td>0.375</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>0.647†</td>
<td>0.824</td>
<td>0.544†</td>
<td>0.402</td>
<td>0.398†</td>
<td>0.404</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>0.394†</td>
<td>0.669</td>
<td>0.384†</td>
<td>0.402</td>
<td>0.398†</td>
<td>0.404</td>
</tr>
<tr>
<td>US</td>
<td>-0.049</td>
<td>0.422</td>
<td>0.322</td>
<td>0.064</td>
<td>0.312</td>
<td>0.06</td>
</tr>
<tr>
<td>Europe</td>
<td>-0.067</td>
<td>0.095</td>
<td>0.065</td>
<td>0.068</td>
<td>0.086</td>
<td>0.064</td>
</tr>
<tr>
<td>Asia</td>
<td>-0.341</td>
<td>0.079</td>
<td>-0.278</td>
<td>0.065</td>
<td>-0.271</td>
<td>0.061</td>
</tr>
<tr>
<td>Other</td>
<td>0.042</td>
<td>0.095</td>
<td>0.049</td>
<td>0.095</td>
<td>0.089</td>
<td>0.098</td>
</tr>
<tr>
<td>Number of employees</td>
<td>-0.216</td>
<td>0</td>
<td>-0.217</td>
<td>0</td>
<td>-0.222</td>
<td>0</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.09</td>
<td>0.545</td>
<td>0.098</td>
<td>0.284</td>
<td>-0.012</td>
<td>0.281</td>
</tr>
<tr>
<td>F-value</td>
<td>2.629*</td>
<td>3.064*</td>
<td>3.15*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.415</td>
<td>0.45</td>
<td>0.457</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VIF value, highest</td>
<td>7.119</td>
<td>4.077</td>
<td>4.938</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10

Table 5.9 illustrates how the different variables affect profit margin for pharmaceutical companies. Several interpretations can be made from this table. First and foremost, all three models are significant at a five per cent level. If merely one model would have proven to be significant, it might not be considered as a robust multiple regression model. However, as in this case, all three models within the multiple regression model are significant, indicating that there is a robustness. Second, the adjusted R square illustrates in percentage how much the variance in profit margin is explained by the independent and control variables. These values might be considered as rather high, however, since the sample of this study is rather small, they might be rather optimistic.

When looking at the independent variables, the table shows that community involvement and development have a positive relationship with profit margin in all three models. In addition, the consumer issue variable is positively related to profit margin as well. Neither of the control variables show any significance. What is rather interesting in this model is that the CSR factors affects each other in some extent. The VIF value is rather high in model 1, meanwhile it has decreased when either human right or labour practice is excluded. This indicates that the CSR factors do affect each other to some extent.
Table 5.10 - Multiple Regression model: Return on assets

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>0.05</td>
<td>0.697</td>
<td>-0.397</td>
</tr>
<tr>
<td>Labour practice</td>
<td>-0.368</td>
<td>0.845</td>
<td>0.017</td>
</tr>
<tr>
<td>Environment</td>
<td>0.034</td>
<td>0.741</td>
<td>0.088</td>
</tr>
<tr>
<td>Fair operating practice</td>
<td>0.094</td>
<td>0.979</td>
<td>0.633</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>-0.076</td>
<td>0.795</td>
<td>0.097</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>0.179</td>
<td>0.501</td>
<td>0.171</td>
</tr>
<tr>
<td>US</td>
<td>0.162</td>
<td>0.08</td>
<td>-0.153</td>
</tr>
<tr>
<td>Europe</td>
<td>0.308</td>
<td>0.094</td>
<td>0.16</td>
</tr>
<tr>
<td>Asia</td>
<td>-0.246</td>
<td>0.094</td>
<td>-0.282</td>
</tr>
<tr>
<td>Other</td>
<td>0.378</td>
<td>0.122</td>
<td>0.189</td>
</tr>
<tr>
<td>Number of employees</td>
<td>-0.318</td>
<td>0</td>
<td>-0.316</td>
</tr>
<tr>
<td>Constant</td>
<td>0.376</td>
<td>0.648</td>
<td>0.497</td>
</tr>
</tbody>
</table>

F-value 0.665  Adj. R² 0.719
VIF value, highest 7.119

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10

In the multiple regression model for return on equity, table 5.10, it clearly illustrates that neither the models nor any single variables significantly relates to return on assets. This might not be a total surprise since the correlation matrix showed no relationship between return on assets and any of the CSR factors.

Table 5.11 - Multiple Regression model: Return on equity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>0.2</td>
<td>1.064</td>
<td>0.2</td>
</tr>
<tr>
<td>Labour practice</td>
<td>-0.102</td>
<td>1.291</td>
<td>0.102</td>
</tr>
<tr>
<td>Environment</td>
<td>0.31</td>
<td>1.133</td>
<td>0.31</td>
</tr>
<tr>
<td>Fair operating practice</td>
<td>0.341</td>
<td>1.496</td>
<td>0.341</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>0.252</td>
<td>1.214</td>
<td>0.252</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>0.101</td>
<td>0.766</td>
<td>0.101</td>
</tr>
<tr>
<td>US</td>
<td>0.107</td>
<td>0.118</td>
<td>0.107</td>
</tr>
<tr>
<td>Europe</td>
<td>0.127</td>
<td>0.129</td>
<td>0.127</td>
</tr>
<tr>
<td>Asia</td>
<td>0.122</td>
<td>-0.303</td>
<td>0.122</td>
</tr>
<tr>
<td>Other</td>
<td>0.189</td>
<td>-0.017</td>
<td>0.189</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0</td>
<td>0.002</td>
<td>0</td>
</tr>
<tr>
<td>Constant</td>
<td>0.062</td>
<td>0.319</td>
<td>0.062</td>
</tr>
</tbody>
</table>

F-value 0.104  Adj. R² 0.104
VIF value, highest 7.119

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10

Neither of the models in table 5.11 show any significance. In contrast to return on assets, the correlation matrix shoed relationship between return on equity and CSR factors. For instance, return on equity showed a negative relationship to both labour practice and environment. Additionally, it showed a positive relationship to fair operating practice.
5.4 Hypotheses testing

In order to test for the hypotheses that this study used, the multiple regression models are examined. The acceptance or rejection of the hypotheses are presented in the table below.

**Table 5.12 - Hypotheses**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Profit margin</th>
<th>Return on assets</th>
<th>Return on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Pharmaceutical companies addressing human rights issues will have a strong positive effect on competitive advantage.</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2: Pharmaceutical companies addressing labour condition issues will have a strong positive effect on competitive advantage.</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3: Pharmaceutical companies addressing environmental issues will have a strong positive effect on competitive advantage.</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>H4: Pharmaceutical companies addressing fair operating practice issues will have a positive effect on competitive advantage.</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5: Pharmaceutical companies addressing consumer issues will have a positive effect on competitive advantage.</td>
<td>Not rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>H6: Pharmaceutical companies addressing community involvement and development issues will have a strong positive effect on competitive advantage.</td>
<td>Not rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

In the regression model that emphasized on profit margin, it became clear that both consumer issues and community involvement and development significantly related positively to profit margin. Thus, the interpretation might be that these CSR factors affect the financial performance for pharmaceutical companies. This is illustrated by table 5.12.
6. Thesis conclusions

In this section, a discussion of the findings is presented. Second, a conclusion is provided with both theoretical and practical contributions to follow. And finally, some limitations with this study and suggestions for future research is presented.

6.1 Discussion of findings

During the last couple of decades, there has risen an urgency for companies to engage in socially responsible manner. That is clear fact. Still, the true underlying reason for why companies act socially responsible is unclear. One argue might be that companies aim to create a better society or world, hence, acting socially responsible is a certainty for them. Or companies might act socially responsible due to institutional pressure, where demands from several stakeholders weigh so heavily that companies must follow the demands. Understanding the underlying reason for why companies engage in socially responsible issues should be a very interesting research topic for future scholars. Hence, this is a topic that should be addressed more intense. With the findings of this thesis, I cannot announce any statement about this issue. Instead, this thesis explains what kind of socially responsible issues pharmaceutical companies should address in order to reach competitive advantage(s).

Given the issue for pharmaceutical companies to generate competitive advantage as an outcome of corporate social responsibility, this thesis aim was to address what kind of CSR factors that contributed to competitive advantage. As a measurement for competitive advantage, I have argued that financial performance is a common measurement (Barnett and Salomon, 2012; Henisz et al., 2014). Prior research has found a positive relationship between CSR and financial performance, however to the best of my knowledge no study has focused on the pharmaceutical industry’s companies in specific. This industry might be seen as very interesting from an academic perspective when conducting research in CSR related concepts due to its perceived high level of social responsibility.

In the analysis section, the multiple regression models have showed various results. Whilst table 5.9 showed that both consumer issues and community involvement and development was positively related to profit margin, table 5.10 and table 5.11 showed no similar results to ROA or ROE. This might not be totally surprising even yet, since profit margin is a pure profitability measure, while ROA and ROE focuses more on how efficient companies uses its assets. Even yet the multiple regression did not illustrated any relationship between any of the independent variables and ROA or ROE, the correlation matrix showed that ROE correlates
with both fair operating practice, labour practice and environment. Thus, there might be an underlying relationship even yet which this study did not manage to reveal. Furthermore, the correlation matrix illustrated that profit margin had a positive correlation to both consumer issues and community involvement and development. Since both the correlation matrix and the multiple regression model showed this result, it should be considered as a robust result.

The purpose of this study was to investigate what kind of CSR factors pharmaceutical companies should address in order to generate competitive advantage from CSR activates. Thus, based on the findings of this study, their main ambition should be to address consumer issues and community involvement and development. This argue serves as an answer to this study’s research question as well. What’s might be considered as rather interesting from this study’s findings is that even yet the sample is made out of the largest global pharmaceutical companies in the world, one of their main CSR factors should be to improve the community which they operate within. The proposition or rather question I raised in the problematisation regarding if pharmaceutical companies should focus on human rights worldwide might not be seen as that relevant from this perspective. Instead, acting more locally might be a way to generate competitive advantage. One underlying argue for this might be traced back to Branco and Rodrigues (2006) argue, namely that motivated and satisfied employees often enhances companies’ financial performance. If pharmaceutical companies address local issues, employees might gain an enhanced image of the company, and thus there might be a higher motivation to work there. As Edmans (2012) advocates, the issue to motivate employees are higher in knowledge intensive industries such as the pharmaceutical one. Thus, the fact that community involvement and development seems to enhance financial performance might not be a total surprise.

The other significant variable that affects financial performance for pharmaceutical companies is consumer issue. One frequently appearing key word in this CSR factor was transparency and this might just be what society and stakeholders expect from pharmaceutical companies. If companies can be transparent about their business enterprise it might generate a higher degree of legitimacy and loyalty from stakeholders, and thus, based on Barnett and Salomon’s (2012) proposition, the financial performance might be enhanced due to stakeholder loyalty. Another possible interpretation is that pharmaceutical companies should put their customer, consumer or patient in focus. Since pharmaceutical companies’ products save lives, the companies’ main responsibility might be to the afflicted. This is actually rather closely related to human rights, since it is a matter of improving life quality for people.
Even though this study shows that consumer issues and community involvement and development contribute positively to pharmaceutical companies’ financial performance, I do not argue that these CSR factors are more important than the others. From the descriptive statistics table it is showed that neither of these two CSR factors are among the CSR factors that pharmaceutical companies addresses most intense. Instead, consumer issues and community involvement and development possessed a rather small proportion of pharmaceutical companies’ total CSR commitment. It might be that due to the fact that pharmaceutical companies are considered to have a very high level of social responsibility, stakeholder sees the other CSR factors as hygiene factors. Stakeholders might be demanding that human rights, labour practice, environment and fair operating practice should be addressed. Then when the pharmaceutical companies have addressed these issues, the consumer issues and community involvement and development issues are the ones that can affect stakeholder loyalty. That is, these issues might not be demanded or expected by stakeholders, and hence, these CSR factors contribute to a positive loyalty from stakeholders. This idea is closely related to Carroll’s (2015) argues. That is, CSR nowadays is more concerned with non-regulated social responsibility actions. Addressing human rights, labour practice, environment and fair operating practice issues are regulated by several regulations and laws, and thus, they might be viewed as hygiene factors by stakeholders. But when companies address CSR factors that are not regulated by law, stakeholder loyalty increases, and thus financial performance follows.

When it comes to the geographical location of pharmaceutical companies, the correlation matrix illustrated that Asian pharmaceutical companies have negative relationship with all three financial performance measures. This might be an indicator that they have a hard time to generate competitive advantage from their CSR engagement. One possible explanation to this might be their addressed CSR factors. Asian pharmaceutical companies are positively correlated to labour practice, meanwhile they have a negative correlation with fair operating practice. In contrast, European pharmaceutical companies are positively correlated to fair operating practice, while they have a negative correlation to environment. The US pharmaceutical companies are positively correlated to community involvement and development and negatively correlated to labour practice. These correlations truly indicate that there is a variety when it comes to CSR depending on where the company is located. Since US companies’ addresses community involvement and development, it might be that
they are more efficient at generating competitive advantage out of CSR activities, however, this is not illustrated from the correlation matrix.

6.2 Conclusion

This thesis attempts to explain what kind of CSR factors that contributed to competitive advantage for pharmaceutical companies. This purpose was examined by applying a content analysis to this research. I have counted the appearance of certain key words associated to CSR factors proposed by ISO 26000 guideline’s for social responsibility. The relative promotion of these certain CSR factors has then been compared to pharmaceutical companies’ financial performance.

Based on prior research, I argue that financial performance is an accepted measure for competitive advantage since it is assumed to reflect stakeholders’ loyalty toward companies. The research question in this thesis was: What kind of corporate social responsibility factors influences competitive advantage for pharmaceutical companies? Based on the results from the analysis, I have proven that there is a positive relationship between consumer issues and financial performance. In addition, community involvement and development shows such a result as well.

These two CSR factors have been discussed in the prior section, where one possible explanation for these two CSR factors positive contribution on financial performance might be since these are not expected by stakeholders. The other CSR factors that did not contributed to financial performance might be considered as hygiene factors, and thus, it does not contribute to any stakeholder loyalty. Nevertheless, these CSR factors might just prove to be important in the same extension as the CSR factors that contribute to financial performance. For instance, if pharmaceutical companies would neglect any of the stated hygiene factors, consumer issues and community involvement and development might not have the same effect on financial performance any longer.

What is to be noted is that this study have not investigated whether the pharmaceutical companies really perform their promoted CSR activities. On the contrary, the measure is made only on what they state in their social responsibility reports.
6.3 Theoretical and practical contributions

Theoretically, this thesis contributes by filling out a hole in the academic world. Prior research have argued that there is a need to develop a CSR framework, and in particular for the pharmaceutical industry. In this thesis, I have showed that two particular CSR factors, proposed in ISO’s 26 000 guidelines on social responsibility contribute to competitive advantage. With the increasing importance of CSR, there will surely follow a need to address what kind of CSR factors that matters the most. In this study I have categorized CSR factors using an already existing standard of social responsibility. To the best of my knowledge a high degree of the research on CSR related issues does not categorize CSR factors, and thus, using standards as a categorization serves as a theoretical or rather empirical contribution as well.

From an ethical standpoint, I argue that when it comes to compare CSR among companies, it might be an idea to conduct it with companies within the same industry. The reason behind this is that companies in different industries might focus on different CSR factors, and hence, the ability to compare companies CSR might be useless. Also, by using documents that are similar, such as responsibility reports and citizenship reports it creates an ability to compare companies. If one where to conduct a similar research to this one, but look at annual reports as well, the data should be slightly different. By using these two techniques when conducting similar research to this one, companies’ ability to “compete” against each other should be fairer.

From a practical contribution perspective, this study proves useful since it illustrates that CSR can be a source for competitive advantage in pharmaceutical companies. By addressing both consumer issues and community involvement and development, I argue that it should generate competitive advantage(s).
6.4 Limitations and direction for future research

This thesis comes with several limitations. First, in this thesis, I have followed companies’ promoted CSR activities rather than their actual behaviour. This might create an issue since companies might promote that they are doing differently from their actual behaviour. Thus, this calls for future research that should address what kind of CSR factors companies actually perform, and then compares it to as in this case, competitive advantage. Since there might be a different proportion of the CSR factors when conducting research in this way, the results might be affected differently as well. A second limitation of this study is that I have only looked at a one year time span. This might be seen as a rather narrow, and thus, if future research would conduct a longitudinal study it might create a result that is differently. Another limitation of this study is that I have used a standard to categorize CSR. With this standard, several CSR issues have been included, however, other standards both exclude or includes other CSR issues. That is, this study might not have emphasized on the whole concept of CSR since the concept is very wide and rather unspecific. This limitation might result in an issue that only the addressed CSR factors in ISO 26 000 are seen as CSR factors for pharmaceutical companies. If CSR factors promoted by other standards would have been examined, it might show slight different results.

Another limitation for this thesis is that the assumption is made that financial performance generates competitive advantage. Competitive advantage is such a wide definition and could be associated with so much more than merely financial performance. If future research would make a similar approach to this thesis, but use another competitive advantage measure, e.g. brand equity, then there might be another results for that study.
References


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## Appendix I

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