

CSR Activities AND its Significance

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ABSTRACT

The case study describes about the corporate social responsibility (CSR) activities performed by the company amidst the controversies erupted because of peculiar sales and marketing policies implemented by the company to augment their business. CSR defines the company's contribution to the society, but at the same time, unethical business practices are likely to dilute the impact of CSR done by the company regardless of its stature in the industry.

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INTRODUCTION

GlaxoSmithKline Pharmaceuticals Ltd. (GSK) is one of the most reputed pharmaceutical companies in the world. They came into controversy regarding their sales and marketing policies in China [1]. The company is generous when it comes to giving back to the society. When the company gets into controversy, does the corporate social responsibility (CSR) help the company in defending its image and reputation in the market place.

CONCEPT OF CSR

CSR is about how companies manage the business processes to produce an overall positive impact on society.

For many companies who practice CSR, brings in good fortune for the company because the society gives back to such companies handsomely. It not only strengthens the image of the company, it also gives good business to the company in the long run. As a result, the companies become financially stronger, more vibrant and they can do greater things for the society.

In the ultimate analysis, it is the image of the company that matters to the society. Hence, companies try and do more CSR when they get into any problems or controversy with respect to their products or services [2].

Today, organizations that want to achieve long-term success must consider what is known as the triple bottom line: economic, environmental and social. This triple bottom line is also known as the 3Ps: profit, planet and people.

Corporate Social Responsibility is always a major part of any large company's corporate planning; it gives phenomenal benefits to a company in the short run as well as long run. Moreover, CSR can have profound impact on profits, planet and people [3].

The benefits of an effective CSR approach to an organization are-

- Stronger performance and profitability
- Improved relations with the investment community and access to capital
- Enhanced employee relations and company culture

- Risk management and access to social opportunities
- Stronger relationships with communities and legal regulators

GSK Pharma—Going Beyond Medicine

GSK is one of the major drug makers in India. Globally, it ranks seventh (2017) with a sales turnover of £28 billion; GSK has a formidable presence in Indian formulation and vaccine market.

GSK has introduced many blockbuster molecules like Zaintac, Levocet, Augmentin, Ceftum, etc., and captured significant market share of the formulation market in India.

The GSK India makes anti-infectives, antidiabetic drugs, respiratory drugs, CVS drugs, and drugs for the pregnant and lactating ladies. The company is the market leader in some therapeutic segments in which it operates. GSK also offers a range of vaccines in the prevention of liver disorders, tetanus, cervical cancer, etc. [4].

Being a leader brings huge responsibility toward the communities in which they operate. At GSK, they have a CSR program that works toward fulfilling basic health care, education and other developmental needs of the underserved population, shown in table 1 [5].

Table 1. Financial performance highlights of GSK—2013.

Group Turnover	\$26.5 bn	Total operating profit	\$7.0 bn
Returned to shareholders	\$5.2 bn	Estimated return on R&D investment	13%

Current Problems Faced by GSK

Glaxo has over-relied on Advair. If anything goes wrong with Advair, the company would face host of problems. The company is also facing intense pressures on their margins because they have huge presence in the most competitive markets like USA, Europe and Japan.

Investors are concerned about the upcoming patent expiration of its top-selling drug Advair (anti-asthma drug having sales turnover of \$8.8 bn) and bribery allegations in China.

Top-selling drug like Advair going off patent is likely to hit GSK revenue since generic versions of at least 25 copycat brands are going to be launched in the market place.

China has wrapped up a 10-month bribery investigation into pharmaceutical giant GSK's operations there, resulting in bribery charges against the former head of GSK

China, according to the Chinese law enforcement and published reports.

Mark Reilly, a British national who served as managing director of GSK China, is accused of ordering subordinates to commit bribery to boost drug sales for GSK, according to the official Chinese news service. *Xinhua* reported that law enforcement officials had finished a 10-month bribery investigation involving GSK and found that Reilly allegedly pressed his sales teams to bribe hospitals, doctors and other healthcare institutions, resulting in billions of Yuan in increased revenue. GSK responded to the allegations by issuing a statement which is produced here below: *We are deeply concerned and disappointed by these serious allegations of fraudulent behavior and ethical misconduct by certain individuals at the company and third-party agencies. Such behavior would be a clear breach of GSK's systems, governance procedures, values, and standards," the statement said. "GSK shares the desire of the Chinese authorities to root out*

corruption. These allegations are shameful, and we regret this has occurred.

Global Strategy of GSK for CSR

Globally, GSK has substantially reduced the price of its patented medicines in the least developed countries to 25% of developed world prices.

GSK reinvests 20% of its profits from sales of medicines in those countries to support the strengthening of healthcare infrastructure.

Researchers also have access to GlaxoSmithKline intellectual property and know-how.

GSKS initiatives can be classified as follows:

- Health for all
- Our behavior
- Our people
- Our planet

In health for all mission, GSK is giving children a better start in life through deworming, aiming at improving health by developing innovative and improved products, partnering with others to tackle issues of lack of health infrastructure, and having interactive patient program to make better medicines [6].

GlaxoSmithKline CSR Strategy in India

- (1) In India, GSK gives cancer care support for four voluntary organizations. In India, there are 5.56 lakhs deaths every year due to cancer.
- (2) In India, GSK provides residential shelter homes in Jodhpur, Rajasthan and Behraich, Uttar Pradesh. In addition, GSK provides these children education, food and shelter thus preventing migration of labor. Two

crore children in India are engaged in child labor.

- (3) GSK has also initiated school Abhiyan and has introduced helpline for the children in distress.

CULTURE AND STRUCTURE OF GSK

Their mission is to improve the quality of human life by enabling people to do more, feel better and live longer. They follow the rationale that they are linked closely to the communities in which they operate: locally, nationally and internationally.

Their CSR mission statement is to lend a helping hand to the underserved in our society, through the support of women, children and the aged in the areas of health and education. They invest in health and education programs and partnerships that aim to bring sustainable improvements to underserved people.

They support the community by supporting social projects in partnerships with not-for-profit organizations both in rural and urban areas. Their initiatives are primarily focused toward women, children and the aged and are directed in the areas of health, education and livelihood. They believe that these areas are related and are of direct concern to GSK.

For instance, if there is proper education, one will eventually learn to be hygienic and if one is hygienic, will one remain healthy. They facilitate in educating masses on good practices of healthy living. Their CSR cell takes care of all CSR activities. This cell is connected to their corporate communication cell. They have top-down approach in fulfilling their CSR activities and employee's participation at all stages of CSR is actively sought.

They focus on programs that are innovative, sustainable and bring real

benefits to those most in need shown in table 2.

Table 2. CSR ratings.

	Overall	Community	Employees	Environment	Governance
GSK India	57	57	66	47	61
GSK Global	52	51	53	55	51

Is CSR a Beneficial Business Strategy?

For GSK, CSR is a beneficial business advantage. The company gets tax exemption, while for the employees, it acts as a moral boost for working in a company that values ethics and cares for culture. Their CSR activities in India have improved their image and strengthened their brands. Their CSR activities in India have made them retain number 1 pharmaceutical company status (in terms of sales and market share) over the last four decades.

They have a phenomenal corporate image and the company has increased ability to attract, motivate and retain able employees (so their operating cost is automatically reduced).

The investors and financial analysts are also favorably disposed toward GSK. Even during the world financial meltdown of 2007, the share of the company was highly stable.

CONCLUSION

The quote of USA Today is 83% of the people will trust a company more if it is socially responsible. According to Monster Track Recruitment survey, 80% of young professionals are interested in securing a job that has a positive impact of the

environment and 90% of young professionals would prefer to work for an environmentally friendly employer. For a world-class pharmaceutical company like GSK, CSR can be altogether a different approach as they can apply their knowledge of science, expertise and technology to address critical healthcare needs. They are achieving their goal through innovative partnerships with governments, healthcare professionals and NGOS.

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