

# 2. International Antalya

## SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

March 17-21, 2022/Antalya, Turkey

### EUROPEAN EXPERIENCES OF CORPORATE SOCIAL RESPONSIBILITY IN THE PHARMACEUTICAL INDUSTRY

**Vasko NAUMOVSKI**

*Vasko Naumovski, Ph.D., Associate Professor, Ss. Cyril and Methodius University in Skopje; Justininaus Primus Law Faculty*

**Milena APOSTOLOVSKA -STEPANOSKA**

*Milena Apostolovska-Stepanoska, Ph.D., Associate Professor, Ss. Cyril and Methodius University in Skopje; Justininaus Primus Law Faculty*

**Milena GOSEVSKA**

*Milena Gosevska hold Master Degree on Corporate Law and works as a Senior Director at Krka Farmacy*

#### ABSTRACT

Corporate social responsibility is the company's responsibility for the impact of its decisions and activities on society and the environment. This is achieved through transparent and ethical behavior that contributes to sustainable development and takes into account the expectations of stakeholders and is in line with international norms. Corporate social responsibility is a way of doing business. It is directly related to sustainable development requiring the company to look at its financial, social and environmental performance. The social responsibility of the company should be strategically integrated fully in the business process of the company, the supply chain, the products, as well as in the customer relations. The company's social responsibility is perfectly in line with the company's quest for easier market access, increased productivity or reduced operating costs. The authors of the paper first analyze the concept of corporate social responsibility. Here they review the legal framework of corporate social responsibility and then make a more substantial overview of corporate social responsibility in the pharmaceutical industry. This section also presents the ethics in the pharmaceutical industry as part of corporate social responsibility and corporate social responsibility. At the end, the authors present their findings from the research.

**Keywords:** Corporate social responsibility; Pharmaceutical Industry

#### 1. INTRODUCTION

Corporate social responsibility is the company's responsibility for the impact of its decisions and activities on society and the environment. This is achieved through transparent and ethical behavior that contributes to sustainable development and takes into account the expectations of stakeholders, and is in line with international norms. Corporate social responsibility is a way of doing business. It is directly related to sustainable development requiring the company to look at its financial, social and environmental performance. The social responsibility of the company should be strategically integrated fully in the business process of the company, the supply chain, the products, as well as in the customer relations. The company's social responsibility is perfectly in line with the company's quest for easier market access, increased productivity or reduced operating costs. Social responsibility is not just a donation, although it is vital for the wellbeing of every community, but still it is not compensation for the potential negative effects of the company's working in the society such as: pollution, increased use of natural resources, working conditions of employees and the well-being of their families, corruption, etc.

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

"Corporate social responsibility" is defined as the responsibility of companies for their impact on society and therefore, should be led by the company. Companies can become socially responsible by:

- integrating social, environmental, ethical, consumer issues and problems into their business strategy and operations,
- monitoring the law.

The importance of a company to be socially responsible is:

- To provide businesses with significant benefits in terms of risk management, cost savings, access to capital, customer relations, human resource management, operational sustainability, opportunity for innovation and ultimately profit.
- They make companies more sustainable and innovative for the EU economy, which contributes to a more sustainable economy.
- They offer society a set of values on which we can build a more cohesive society and on which we can base the transition to a sustainable economic system.

### 2. THE CONCEPT OF SOCIAL RESPONSIBILITY

In modern business conditions, the concept of corporate social responsibility is generally accepted. Under pressure from international institutions, governments, NGOs, consumers and other stakeholders, there is increasing pressure on companies and entrepreneurs to apply this concept and contribute to the society and community in which they operate. For transition countries and companies in the process of separating ownership from management, applying the concept of corporate social responsibility is a way for companies to approach responsible restructuring. There is a strong consensus that in the global economy, businesses often play a role that goes beyond creating wealth. Corporate behavior must not only provide shareholder dividends, employee salaries, consumer products and services, but must also respond to social concerns and values. Corporate social responsibility is a concept that should provide certain benefits to both society and business as a whole, and therefore corporations should manage corporate social responsibility as they do in other parts of the business strategy. Corporations face the challenge of developing economically as well as being responsible for the natural environment and the social environment. The role of business in social and economic development is expected to increase. Corporate Social Responsibility has become a major component of university business courses in both the United States and the European Union and most multinational corporations based on the OECD principles that participate in the field of corporate responsibility in one way or another.<sup>1</sup>

Today's concept of corporate social responsibility began to develop in the second half of the twentieth century, when environmental problems began to emerge. These problems have had a negative impact on the quality of life in some parts of the world, especially in industry as a developed area. It was then that the problem of economic growth, sustainable development and corporate social responsibility was mentioned for the first time, which should contribute to sustainable development. The problem of excessive consumption of renewable and non-renewable resources on Earth is highlighted.

Corporate social responsibility (CSR) is a form of behavior that the economy has accepted as a way of practicing and communicating its responsibility to the world with poor resources, but also the growing expectations placed on the business sector of society led by civil society organizations. Also, one of the definitions of CSR is: "companies' responsibility for their impact on society", and was set by the European Commission in the CSR Strategy for the period 2011-2014. There are numerous documents of the European Union that encourage the implementation of socially responsible business. For companies, CSR is a form of independent control and regulation of business, in order to create value with minimal environmental damage and maximum benefit to society. The term socially responsible business is often misused, and companies are

---

<sup>1</sup> Belicanec, T., Mucunski T., Klimoski A., "Corporate Governance", Skopje, 2014, p. 261.

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

called socially responsible for activities that are already their responsibility because they are prescribed by law.<sup>2</sup>

The term socially responsible enterprise has a number of definitions and meanings. It goes without saying that corporate social responsibility is the proper payment of taxes, orderly employment of employees, good relations with customers, suppliers and others. But social responsibility is much more than that. Everything that companies do voluntarily and show that they care about certain groups, such as young people, employees, the local community, the environment and everything around the company is a concept of their social responsibility.<sup>3</sup>

Before the beginning of the 20th century, there was no room for corporate social responsibility because capable managers tied to strong companies had the greatest social power. There was no interest other than strengthening their personal rights, and the sole responsibility of the company was financial, and that was solely the responsibility of the owners. In the 20th century, things began to change, in the United States there was a managerial revolution, ie the division of ownership and management of large companies. It was concluded that economic theory is too superficial and impossible to apply the laws of nature in controlling the individual and his social needs. There was a conflict in the market due to the companies whose goal was exclusively profit. Companies had to behave socially responsibly, otherwise the state would introduce increased regulation and bureaucracy.<sup>4</sup>

It can be said that socially responsible behavior, in this context, arose as a consequence of avoiding social or state punishment. Businesses began to behave as required by social norms. Today, the term corporate social responsibility has no clearly defined definition. It is considered a new way of managing as an alternative to the classic model of growth and profit maximization. There have been a number of events in recent history that have tried to influence the issue of sustainable development, like: conferences, agreements, agendas, ISO standards, etc.<sup>5</sup>

Sustainable development is conceived as a political model of society globally, and socially responsible business is a concept within the micro level of society. In the 1980s, a management policy was created according to which the organization must align its activities with the expectations of stakeholders. This policy marked the beginning of a new approach in strategic management, based on acting in accordance with the interests of stakeholders.<sup>6</sup>

Thus, corporate social responsibility was initially conceived as a voluntary initiative, but later became legally regulated. Over time, companies began to introduce quality management standards and environmental awareness into the business (ISO standards), followed by codes of conduct, improvements, and reporting on socially responsible action.

Corporate social responsibility reporting by companies is a key element for successful communication between companies and other stakeholders, especially society. There are more and more organizations, ie companies that successfully implement the idea of sustainability and social responsibility in their business practice.<sup>7</sup>

### 3. PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

All companies, regardless of the size or industry, directly or indirectly affect human rights - for example, through their employees and customers or through the supply chain. The influence extends to the reader through rights including discrimination, health, privacy, property, freedom of association, environment, etc.

The positive impact of the responsible companies indicate not only the economic but also the social development. For example, responsible business contributes in increasing the number of employees and reducing the tax evasion. Companies can also directly or indirectly contribute to violations of guaranteed basic human rights, including the most serious violations such as forced child labor. On the other hand, a legal and

---

<sup>2</sup> Matešić, M., Pavlović, D., Bartoluci, D.: Social Responsible Working, VPS Libertas, Zagreb, 2015, str. 5.

<sup>3</sup> Ibid.

<sup>4</sup> Tipurić, D.: Korporativno upravljanje, Zagreb, Sinergija nakladništvo, 2008 str. 28.

<sup>5</sup> Salarić, D., Jergović, A.: Poduzetništvo i društveno odgovorno poslovanje, Učenje za poduzetništvo, Vol.2, No.2, Zagreb, 2012, str. 295.

<sup>6</sup> Ibid. str.296.

<sup>7</sup> Ibid str.315.

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

social environment that respects the fundamental values of human rights and the rule of law, such as the protection of property or access to certain and effective remedies, is conducive to business development.

The implementation of the social responsibilities takes place according to certain standards and codes of conduct. While corporations may have a set of standards, governments also play a major role in defining many of the rules. Codes of conduct are internationally created and used, providing business principles that promote human rights, safety at work, transparency, environmental management, consumer protection, and the fight against corruption. Initiatives such as the Caux Round Table and the UN Global Sullivan Principles have aimed to build a platform of international solidarity for corporate responsibilities globally. The Global Reporting Initiative (GRI) of 2000 represents a major step forward for the generally accepted global reporting framework. GRI has made efforts to provide a management mechanism to assist in the organization of reports that continuously improve the progress and performance of the corporation.<sup>8</sup>

In the last twenty years, the number of areas of interest for socially responsible work has grown and we can say that there are three basic areas that are at the center of social responsibility and are the basis for the creation of the basic principles of social responsibility:

- **Environment:** environmental responsibility has been a priority for the economy for years. Numerous external norms on the topic of environmental management have been formulated, and benchmarks and guidelines have been established. Some of them are: the standard of the International Organization for Standardization ISO 14000, the Charter of Sustainable Development for the Business Sector of the International Chamber of Commerce, the principles of CERES, the UN Global Compact and the Global Reporting Initiative (GRI), Environmental Management and Control Program European Union Environment (EMAS);
- **Business norms and management:** one of the basic topics of CSR is the issue of good business management. Business governance was considered an issue primarily addressed by transition countries and emerging markets. However, numerous scandals in the business sphere have brought to light a much more widespread problem. Poor business management standards are the biggest obstacle to investing in emerging market economies. This also has an indirect effect: without adequate investment, the state is often incompetent and faces the pressure of the social needs of its citizens. There are a growing number of initiatives around the world that seek to improve business management standards;
- **Human rights:** in recent years, the link between the economy and human rights has become increasingly recognizable. Many human rights principles are directly or indirectly related to private sector activities, e.g. use of children or prisoners as labor. As a result, human rights are enshrined in global business principles in the form of:
  - an increased number of codes of conduct in companies created by incorporating the Universal Declaration of Human Rights into their own codes, which protect the human and labor rights of workers;
  - trade sanctions imposed on countries that are deaf to international human rights norms; and
  - decisions of shareholders calling on companies to ensure that their activities are carried out in accordance with human rights norms.<sup>9</sup>

All of these areas represent the only multilateral accepted code that governments have a responsibility to promote, and the business community is also an active participant in building the rules for multinational corporations in today's globalized world. Most codes of conduct are aimed at suppliers, employees and shareholders, yet these new rules pay more attention to consumer rights and urge corporations to provide accurate and clear product information and to effectively address consumer complaints. While it is essential for governments to participate in reforming systems and promoting and monitoring the implementation of rules, it is also important for continued business cooperation to strive to achieve the goals of the rules. The rules in the OECD Guide for Multinational Corporations play an important role in the already existing process of corporate social responsibility, strengthening the global commitment and encouraging the consensus that is being built. In 1999, at the World Economic Forum in Switzerland, the UN Global Compact was adopted, which challenged business leaders to adhere to a "global agreement" of shared values and principles and to

<sup>8</sup> Belicanec, T., Mucunski.T., Klimovski.A, Corporate Governance, Skopje, 2014 p.

<sup>9</sup> Bagić, A., Škrabalo, M., Narančić L., Pregled društvene odgovornosti poduzeća, Academy for Educational Development, Zagreb, 2004., str. 13

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

give globalization a more humane dimension. The UN Global Compact is based on nine principles covering human rights, labor and the environment.<sup>10</sup>

Under the Global Compact, corporations were required to adhere to the following principles:

- o Principle 1: to uphold and respect the protection of international human rights in their sphere of influence;
- o Principle 2: not to be prone to human rights violations;
- o Principle 3: to uphold the freedom of association and to effectively recognize the right to collective bargaining;
- o Principle 4: to support the elimination of all forms of forced or coerced labor;
- o Principle 5: to support the effective cessation of child labor;
- o Principle 6: to support the elimination of discrimination in employment and occupation;
- o Principle 7: to support a prudent approach to the environment;
- o Principle 8: take initiatives to promote greater environmental responsibility; and
- o Principle 9: to encourage the development and diffusion of environmentally friendly technologies.<sup>11</sup>

#### 4. THE LEGAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY IN THE EUROPEAN UNION

In Europe, but also in the world, there are many companies that emphasize their strategy of social responsibility, in response to various economic and social pressures and those related to environmental protection. Companies strive to raise environmental standards, respect for human rights and social development through the prescribed legal framework. In this way, companies strive for transparent and good governance, establish new partnerships and expand cooperation in companies in terms of social dialogue, skills acquisition, anticipation and change management. Corporate social responsibility is mostly accepted by large companies, but it also exists in other types of entrepreneurship, even among small and large entrepreneurs.<sup>12</sup>

In 1993, EU President Jacques Delors appealed to European business circles to become more involved in the fight against social exclusion. In March 2000, the Lisbon European Council sent a special call to companies regarding social responsibility and the promotion of good examples of lifelong learning, work organization and equal opportunities. It was believed that corporate social responsibility could help achieve the European Union's strategic goal of becoming the most competitive and dynamic knowledge-based economy by 2010, capable of sustainable economic growth with more jobs and greater social cohesion.<sup>13</sup>

With the removal of restrictions on the flow of people, goods, services and information and the reintegration of Europe, standards of corporate behavior are becoming universal, and the role of corporate social responsibility is becoming more pronounced, especially in the transition process. As a basis for the newly introduced policy that defines corporate social responsibility and the activities to be undertaken, a Green Paper is published, followed shortly by a White Paper which provides detailed guidance on improving corporate social responsibility, managing it and introducing good practices. They therefore point to a European framework for action in the field of corporate social responsibility.<sup>14</sup>

The application of this way of doing business and its increased representation recognizes the need for state intervention and the creation of a legislative framework, in order to ensure the promotion of all components of corporate social responsibility. Thus, in some countries, a law is promoted that promotes socially responsible production. Companies are required to prepare quarterly reports, ie to compile reports that contain information on the social, environmental and economic consequences of their actions. Some countries introduce new

---

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Varićak, I., Petračić, M., Brajdić, A., (2012.): Zbornik veleučilišta u Karlovcu, Karlovac, str.64.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.



## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

ministerial posts, such as the Minister for Corporate Social Responsibility in the United Kingdom or the Minister for Sustainable Development in France.<sup>15</sup>

The European Commission considers that socially responsible business is one in which companies behave responsibly towards society and the environment. According to the Commission, socially responsible business should be the basic concept of the business of every modern business entity. The European Commission considers that socially responsible companies are those that:

1. work in accordance with legal provisions and regulations;
2. have the implementation of social responsibility in their business strategy through care for society, the environment, ethical business, customer care and respect for human rights and equality.<sup>16</sup>

According to the European Commission, socially responsible business in a modern environment is a need, not a choice of company. In view of the above, the Commission imposes the need for corporate social responsibility and implements its principles in all areas, its activities and policies are crucial for the development of the European economy. The European Commission has also adopted a strategy for corporate social responsibility, based on:

1. The United Nations Global Compact
2. UN Principles on Business and Human Rights
3. ISO 26000 norms for social responsibility
4. The International Labor Organization Tripartite Declaration of Principles Concerning Multinational Companies and Social Policy; and
5. OECD guidelines for multinational companies.

The European Union has recognized the importance of their acts and has included them in its policies in this area. In its 2011 Corporate Social Responsibility Strategy, the EU upheld the UN Guiding Principles and committed itself to supporting their implementation. In the Action Plan for Human Rights and Democracy for the period 2015-2019, the EU and its members committed themselves to take measures to improve this area. The adoption of the EU Responsible Business Action Plan is expected soon. EU countries are expected to have a national strategy or action plan related to the UNGP. To date, the European Commission has developed human rights manuals for companies operating in three sectors, Employment and Employment Agencies<sup>12</sup>, ICT and Oil and Gas. In July 2015, the European Commission published an analysis of EU activities aimed at implementing the UNGP - Working Paper on the Implementation of the UN Principles on Human Rights and Business.<sup>17</sup>

### 5. Corporate social responsibility in the pharmaceutical industry

#### 5.1. General aspects and notes

The pharmaceutical industry has evolved from what was originally positioned as a profitable industry and was considered to operate financially well, to an industry that is increasingly eroding public perceptions of corporate social responsibility performance. The reactions of players in the industry to various external factors arising from the change in social and economic realities have led industry critics to view the business as a business that sacrifices corporate social responsibility at the expense of profit.

Due to the number of ethical issues related to the pharmaceutical business and the vulnerability of people to its products, here corporate social responsibility is of great importance to pharmaceutical companies. Traditional market forces of supply and demand can not always be applied to pharmaceutical products because:

- Patients really can not choose whether to buy drugs or not.
- Patients usually can not make an informed choice about which particular drug to buy. They must trust the opinions of health professionals such as doctors and pharmacists.

---

<sup>15</sup> Ibid.

<sup>16</sup> [https://ec.europa.eu/growth/industry/corporate-social-responsibility\\_hr](https://ec.europa.eu/growth/industry/corporate-social-responsibility_hr) (accessed 01.11.2021 )

<sup>17</sup> <https://repozitorij.efst.unist.hr/islandora/object/efst%3A363/datastream/PDF/view> (accessed on 05.11.2021)

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

- The consequence of not having access to medicines or the inability to buy medicine is very often a matter of life and death.<sup>18</sup>

Because in most countries pharmaceutical companies operate in the private sector, making a profit for their stakeholders through the development and sale of drugs is their core business. However, the adoption of the concept of corporate social responsibility can affect how drugs are sold, what pricing strategies are used, and how reasonable they are in a given country.

Today, the corporate social responsibility of the pharmaceutical sector is practiced mainly by multinational pharmaceutical companies originating in the United States and the European Union. The situation for the German pharmaceutical industry is typical of the corporate social responsibility situation in the pharmaceutical industry in Europe in general, due to uniform regulatory standards, common European CSR agreements and high levels of mergers in the pharmaceutical industry.<sup>19</sup>

Because corporate social responsibility is a voluntary engagement, each company decides individually on the scope of its activities. They can be classified according to whether they are aimed at the local community, employees or the environment. Currently, pharmaceutical companies are demonstrating social engagement in the following ways:

Donations and sponsorships: these include various community and environmental projects, as well as humanitarian aid to developing countries;

- Research promotion: companies establish private research institutes / foundations and provide grants and scholarships to support young scientists;

- Introduction of ecological technologies;

- Establishment of voluntary committees for political action.

- Advocacy for human rights.<sup>20</sup>

Social responsibility is an ethical approach according to which every entity, whether it is an individual or an organization, has a moral obligation to contribute to the development of society. When social responsibility is applied in business it is called corporate social responsibility. The social responsibility of enterprises can best be illustrated by the model TBL (Triple Bottom Line), which is sublimated by the phrase 3P (Profit, People, Planet), which refers to the focus of the organization on three basic dimensions - economic, social and environmental.<sup>21</sup>

Organizations that implement corporate social responsibility in practice achieve a number of positive results, both on the basis of improving the business reputation and value of intangible assets, and on the basis of a higher level of satisfaction of consumers and other partners. On the other hand, those who apply corporate social responsibility in practice should take into account the balance between economic and social interests, so as not to slow down growth and reduce profitability.<sup>22</sup>

By applying corporate social responsibility, organizations contribute to the development of an economy based on responsibility and social justice. Facing a number of economic, environmental, political, infrastructural and health challenges, corporate social responsibility is evolving in the direction of increasing the scope of benefits, increasing the scope of reporting, increasing transparency, customer awareness and improving the social security system.<sup>23</sup>

## 5. ETHICS IN THE PHARMACEUTICAL INDUSTRY AS PART OF CORPORATE SOCIAL RESPONSIBILITY

Social responsibility in business is based on business ethics, which is a set of moral norms of behavior in the business environment, both in terms of obligations and responsibilities in doing business and in terms of

<sup>18</sup> <https://www.pharmacypractice.org/index.php/pp/article/view/142/144> (last accessed 06.11.2021).

<sup>19</sup> <https://www.pharmacypractice.org/index.php/pp/article/view/142/144> (last accessed 06.11.2021).

<sup>20</sup> <https://www.pharmacypractice.org/index.php/pp/article/view/142/144>

<sup>21</sup> Carroll, A.B., Buchholtz, A. K. Business and Society: Ethics and Stakeholder Management, Australia: Thomson South-Western (2003), pg.73.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid,

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

building organizational cultures based on moral principles of behavior. Health care is one of the most sensitive areas of human behavior, in which ethics plays a very important role.

This is especially important in the pharmaceutical business, which is one of the basic elements of health care, where various ethical dilemmas often arise, such as dilemmas regarding respect for patient autonomy, social preventive action, financing of treatment, implementation of clinical tests for children, sale of pediatric drugs, sale of drugs for oncology, etc.<sup>24</sup>

The pharmaceutical industry is an industry from which much is expected and which is under great pressure in terms of social obligations. Moreover, often and well-founded, there are suspicions certain pharmaceutical companies unethical refer to, which is often generalized at the level of the overall pharmaceutical business. Because of all this, ethical issues and social responsibilities in pharmacy are given more importance than is the case with conventional industries. The reason is very simple - it's about people's health. All the pressures and expectations placed on the pharmaceutical industry can be grouped into five groups:

1. Innovation - Pharmaceutical companies are expected to develop new drugs and new methods of treatment in response to the emergence of new diseases and the evolution of existing ones.
2. Cost reduction - patients and healthcare systems are increasingly expecting quality medicines to be available at affordable prices. Accordingly, there has been an increase in the share of generic drug manufacturers globally.
3. Transparency - the pharmaceutical industry is expected to make its business transparent, especially in the area of development of new drugs, their production, as well as the way of financing.
4. Standards and regulations - the pharmaceutical industry is one of the most regulated industries. As a rule, pharmaceutical companies must comply with both GxP and ISO, environmental and many other business standards.
5. Building trust - there is always less publicity or more doubt in the business ethics of pharmaceutical companies. Because of this, pharmaceutical companies must constantly build and justify the trust they have in the public.<sup>25</sup>

Ignoring pharmacy ethics can have far-reaching consequences, coming from:

- social criticism from the general and professional public,
- initiating various actions against pharmaceutical companies, such as negative publicity, boycott and public condemnation,
- taking various corrective measures, such as revoking work licenses, withdrawing drugs from the market, initiating court proceedings, etc.

Finally, the relationship between pharmacy ethics and the so-called QSEA framework should be pointed out, which refers to the orientation of manufacturers to produce drugs that will be quality, safe, effective and affordable. (Availability). QSEA drug production is the essence and cornerstone of ethics and social responsibility in pharmacy, the basic imperative application of the marketing concept in business, as well as the basic requirement of regulatory bodies.<sup>26</sup>

## 6. THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMERS AND CUSTOMERS

Consumer behavior is the process of acquiring and consuming products, services and ideas from supply units. Consumer and customer behavior and a range of psychological and physical activities undertaken by the individual or household in the process of selecting, purchasing and consuming a product or service. From the

---

<sup>24</sup> Lazarević., I, Društvena odgovornost u farmaciji MENADŽMENT U FARMACIJI BB- Informator, Beograd 2013 str. 33-35.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.



## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

moment companies base their operations on marketing, companies do not put their product first but focus on consumers, offering them the product they are looking for.<sup>27</sup>

The decision-making process when buying a product is an impact and a decision that results in the desired action. In order to make a sale, the consumer must be aware of the existence of a particular product or service and must have a sufficient amount of information, as well as must be aware of what needs he will meet with that product.

The application of corporate social responsibility by companies in order to influence consumers and customers, and this would differentiate the supply of products, is becoming more common. Research shows that consumers and customers respond to social responsibility through: beliefs, identifications and loyalty. Consumer behavior includes not only personal motives but also social motives, consumers today increasingly expect companies to show compliance with some social values as a contribution to society.<sup>28</sup>

If consumers recognize the efforts of the enterprise and identify with them (views, values, beliefs and activities), they are willing to buy the product of those enterprises, unlike those who do not make efforts with their work to contribute to the common good. Consumers and customers not only recognize and value such behavior, but many of them are willing to sanction the socially irresponsible enterprise, as shown by research conducted in developed economies.<sup>29</sup>

The responsibility towards consumers and clients is to enable treatment with high quality products from different therapeutic fields, which are clinically tested and meet the most modern and strict world standards. The organizational structure enables contact with the clients in order to understand their most sensitive needs and to respond appropriately to them. In addition to addressing the issue of ethics, social responsibility in pharmacy has a number of specific aspects, which are related to all phases of the pharmaceutical business, from development and production, through distribution and supply, to post-marketing monitoring of drugs. In the following section we will see what are the aspects of social responsibility according to the above.<sup>30</sup>

### 6.1. Drug prices and financing of treatment

Drug prices are one of the key issues for global health financing and health care. According to some estimates, in the last 15 years the prices of innovative drugs have increased by over 100%, and the cost of developing a new drug has increased from \$ 802 million in 2000. year to about \$ 1.8 billion in 2011 years. On the other hand, Pharmaceutical Spending is becoming an increasingly important item within the Total Health Care Expenditures, which are continuously increasing both in absolute and relative terms. In the early 1980s, health spending globally averaged about 6% of GDP, and at the end of 2012 it exceeded 10% of GDP. Because of all this, the pharmaceutical industry is under constant pressure from health authorities and patients in terms of reducing drug prices and providing long-term treatment methods at sustainable costs.<sup>31</sup>

### 6.2 Clinical trials

One of the typical indicators of the level of regulation of the pharmaceutical market are clinical trials of drugs. Clinical trials are expensive, time consuming, and a scientifically intensive and established process that results in the development of innovative drugs. The development of a typical innovative drug takes 9 to 14 years (pre-clinical trials 3-6 years, clinical trials 6-8 years), exceeding the total cost of \$ 1.5 billion and trials in groups of over 5,000 patients. Because of all this, clinical trials are the subject of heated debate and constant observations by the general and professional public. Pharmaceutical and biotechnology companies must carefully plan and conduct research and development activities, to justify the public trust in them in finding new drugs and new methods of treatment.<sup>32</sup>

---

<sup>27</sup> Srbijanović, M., Influence of corporate social responsibility on consumer behavior in Croatia, Proceedings of the Faculty of Economics in Zagreb, year 10, no. 2, 2012, p. 167-168.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Lazarević, I, Social Responsibility in Pharmacy MANAGEMENT IN PHARMACY BB- Informator, Belgrade 2013 p. 33-35.

<sup>32</sup> Ibid.

### 6.3 Sale of innovative drugs

According to IMS Health estimates, since 2016 the value of world pharmaceutical markets has doubled to \$ 658 billion. two thirds of the total market. There is an opinion on the speed and development of the pharmaceutical markets in the largest measures controlled by the world's largest pharmaceutical companies that produce the most innovative drugs (Blockbuster drugs) in the development of which over 1.5 billion dollars are invested, and in the marketing of which hundreds of millions of dollars are invested. In such circumstances, it is quite normal to ask the question of the responsibility of the company. On the one hand, the question of their place in health financing is raised, while on the other hand, the question of their participation in treatment is raised. Patients who do not have the financial means to purchase innovative drugs (poorer sections of the population, less developed countries, etc.)<sup>33</sup>

### 6.4 Availability of medicines in less developed countries

Less developed countries developing countries and underdeveloped countries. Their pharmaceutical market is more or less different from the pharmaceutical markets of developed countries, which results in a number of specifics regarding the social responsibilities of the pharmaceutical companies that work on them, namely: (1) lower purchasing power and limited funding opportunities, resulting in dominance of generic drugs and the sale of counterfeit and unregistered drugs, (2) the reluctance of large companies to register drugs in less developed markets, resulting in the unavailability of certain drugs and the emergence of illegal trade; of import, registration, refund, etc., which creates an image of the exclusive profit orientation, (4) donation of expired drugs or drugs of lower quality than expected, which seriously damages the reputation of the company, (5) controversy over the clinical trials of drugs in less developed countries, resulting in mistrust and abstinence of the patient, etc. However, despite the numerous controversies, many of the large pharmaceutical companies have noticed philanthropic activity in less developed countries, which is an important element in their social responsibility.

### 6.5 Extended manufacturer liability

Extended Producer Responsibility (EPR) is a concept that basically has the responsibility of the manufacturer for all stages of the product life cycle, including environmental costs. According to the EPR concept, drug manufacturers know their product best and they are responsible for it in the post-marketing world, especially in terms of pharmaceutical waste management. EPR is implemented by applying the "manufacturer pays" principle. (Producer Pays) through the so-called "Reverse Distribution". By applying the EPR concept, through reverse distribution, many pharmaceutical companies have taken responsibility for disposing of the pharmaceutical waste of their own medicines. In this way, they completely close the cycle of life cycles of their products. The principle of EPR is often realized through the establishment of so-called Environmental Protection Centers for a certain type of product (Product Stewardship), and drug manufacturers are actively involved in the construction of such centers.<sup>34</sup>

### 6.6 Monitoring of drugs after sales

Social responsibility of pharmaceutical products is reflected in the so-called. "Post-marketing monitoring" of drugs, which refer to the monitoring of drugs and their registration and sale. Post-marketing monitoring of drugs is realized through: (1) monitoring of side effects, ie. pharmacovigilance, (2) sales and consumption reporting, (3) market inspection and control, and (4) approval of recycling of certain drugs - new indications, etc. There are a number of examples of Blockbuster drugs, they have had a number of adverse reactions in a number of countries where there have been deaths due to which the companies that have produced these drugs have borne serious consequences. How these phenomena would not happen, post-marketing monitoring of the drug is one of the most important elements of social responsibility.<sup>35</sup>

---

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

### 6.7 Community integration

Due to the high expectations, and at the same time the great pressures, the pharmaceutical companies, as a rule, have developed social and philanthropic activities. These activities cover a wide range of activities from establishment and donation, through various donor actions and integration with the local community, to the realization of large international programs for health promotion and prevention and control of serious diseases in less developed countries and communities.<sup>36</sup>

### III. Corporate philanthropy

#### 1. General remarks

After defining general philanthropy, which includes philanthropy, charity, and helping others and the community as a whole, corporate philanthropy is a dimension of the broader concept of socially responsible business aimed at building socially responsible relationships with the community. Corporate philanthropy is a direct contribution of a corporation to a humanitarian action or social cause, usually in the form of grants, donations or services in kind. Corporate philanthropy has become an integral part of the business of global companies. By applying it, companies can clearly demonstrate their values and beliefs to employees, partners, customers and the public. By supporting society, whether in cash, products or services, companies show that they understand the needs of the wider community. Typical corporate philanthropy charities are:

- Providing cash donations
- Providing grants
- Scholarships
- Product donation
- Providing services
- Providing professional knowledge
- Enabling the use of capacity and distribution channels
- Putting equipment into use.<sup>37</sup>

Recipients of such donations are usually non-profit organizations and foundations with which the corporation has already established relations, but may also be public institutions such as schools or foundations that form corporations to manage and distribute funds.<sup>38</sup>

The initial phase refers to the period from the late 19th to the mid-20th century. It was marked by entrepreneurs who based their business relationships on the principles of trust and responsibility towards the community. Known as such an entrepreneur is Henry Ford, the founder of the Ford Motor Corporation in 1903, which was founded by the Edison Institute (now the Henry Ford Museum and Greenfield) to introduce the general public to innovation as drivers of change.<sup>39</sup>

The second phase refers to the period from the 50s to the early 80s of the last century. According to some authors, this is the golden age of corporate philanthropy. Numerous CEOs, including David Rockefeller of Chase Manhattan Bank, Reg Jones of General Electric and Henry Schacht of Cummings Inc., have launched corporate donation programs and foundations to institutionalize corporate philanthropy in their corporations.<sup>40</sup>

Donations were mainly directed to non-profit organizations, and philanthropic activities were not motivated by gaining social prestige or recognition, but were intended to contribute to the quality of life of stakeholders in the local community. This early form of corporate altruism was contrary to the position of the then authority, prof. Milton Friedman, winner of the Nobel Prize in Economics.<sup>41</sup>

---

<sup>36</sup> Ibid.

<sup>37</sup> Parać, M. (2015) Corporate Philanthropy through History. Pula: Faculty of Economics and Tourism Dr. Mijo Mirković p.25.

<sup>38</sup> McClimon, T.J. (2004): The Shape of Corporate Philanthropy Yesterday and Today, Grantmakers in the Art pg. 144.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

The third stage concerns the strategic philanthropy implemented in the 1980s and is the most prevalent form of corporate philanthropy today. Every business entity approaches corporate philanthropy differently. This is what some businesses do as they focus their activities on one area while others may focus on communities where most of their business is based or where most of their employees come from.

The fourth stage concerns the understanding of corporate philanthropy as one of the dimensions of a socially responsible business. Shaping the concept of socially responsible business is determined by the specifics of the businessmen themselves, the specifics of the activity or branch in which they work, the level of economic development, social needs and expectations in a certain period of time as well as the characteristics of the institutional mechanism. Therefore, each business entity will devise its own approach to the concept of corporate philanthropy.

The application of the concept of socially responsible business in the segment of corporate philanthropy implies constant and effective dialogue and cooperation of businessmen with non-governmental organizations, through joint design or implementation of projects, co-financing of socially beneficial projects, etc. Additionally, socially responsible business entities assist the work of educational and health institutions, sports associations, organizing cultural events.

The benefits of donating are primarily related to the benefits that companies recognize as positive consequences of the practice of corporate philanthropy. Unlike motivation or donation goals,

when listing the benefits, companies give a positive feeling that is present as a result of donation and community cooperation. Along with the positive feeling associated with the sense of community contribution, companies stand out with positive promotion or positive public representation and a positive impact on building a better internal culture, better relationships and greater employee loyalty. Also, through donations, many companies recognized the opportunity for their own development and took over from the associations some knowledge, methods, etc. Some of the philanthropic benefits are certainly the strengthening of the industry the company belongs to, gaining a sense of satisfaction due to the significant impact on social issues as well as the use of excess unused corporate resources.<sup>42</sup>

All previous researches indicate that a large number of companies in the Republic of Northern Macedonia donate. Despite the difficult economic situation, the amounts donated by companies, according to data from the Central Register, can have a significant impact on development in certain social domains. The donation practices of our companies are usually ad hoc, based on an ongoing donation request. Rarely, some companies have well-designed donation strategies that are based on identified needs and the long-term commitment of the company to make an impact in a particular domain. Companies in Macedonia prefer to make one-time donations and are not very open to realizing multi-year donations and partnerships in the field of corporate philanthropy. Unlike other countries, we have few donation programs where the company awards direct grants to civil society organizations or institutions. Very often, companies prefer to make the donation directly (to buy equipment, perform infrastructure intervention, etc.). This is largely due to the distrust that the donation will not be realized in the agreed manner.<sup>43</sup>

In 2007, the Law on Donations and Sponsorships in Public Activities came into force in Macedonia. Through this law, the Republic of Northern Macedonia recognizes that philanthropy creates social good and strives to encourage it by providing tax incentives for citizens and companies that donate. For companies that donate (cash as well as material donations), the law provides tax incentives in the areas of profit tax, value added tax (VAT) and property tax. Also, if the shareholders, members of the board of directors or employees want to donate, tax incentives for personal income tax are provided, as follows:

Profit tax - to the company that donates in accordance with the law, the donation is recognized as an expense in the tax balance in the total amount of up to 5% of total revenue (for sponsors the amount is 3%).

Value added tax - during the realization of the donation in accordance with this law, the companies will not be encumbered with VAT, ie. The tax incentives are realized by providing funds from the Budget of the Republic of Macedonia for the payment of VAT expressed in the invoices for realization of the donation. The fee for tickets for a cultural, sports or other public event does not include value added tax if all collected revenues are

<sup>42</sup> Kotler P. and Lee N. CSR Corporate Social Responsibility. Zagreb: MATE d.o.o. (2011) p. 148.

<sup>43</sup> <https://catalystbalkans.org/DownloadFile.axd?strategy=contentitemdocument&fileName=bec21144-28a8-4ff4-8743-390c3e57dab0.pdf> (last accessed 01.12.2021).

## 2. INTERNATIONAL ANTALYA SCIENTIFIC RESEARCH AND INNOVATIVE STUDIES CONGRESS

used to finance activities of public interest. VAT is not calculated on the fee for communication service in accordance with the Law on Electronic Communications when the user uses it to donate funds to finance activities of public interest.

Property tax - The donation of property and material goods is exempt from inheritance and gift tax when the lender transfers the right of extension and use to the recipient. She is also exempt from property tax in the next 5 years, after the year in which the donation was made.<sup>44</sup>

Personal Income Tax - The natural person who donates funds to a legal entity according to the law has the right to deduct personal income tax determined on the basis of his annual tax return in the amount of 20% of the annual tax debt of the donor, but no more from 24,000 denars. For the realization of the tax incentives, a legal procedure is envisaged that imposes obligations on both the donor and the recipient of the donation with appropriate recording, reporting and control. The analysis of the implementation of the law so far indicates that there is a need to revise it in a way that will allow its simpler use.<sup>45</sup>

### CONCLUSION

Modern business faces numerous challenges and inevitable crises. The source of these is in the external environment of the company, which is marked by constant changes, but their internal environment must strive to respond appropriately to these changes. In such business conditions, companies must find their own moral code (corporate social responsibility), but also internal energy for change (corporate entrepreneurship), which will ensure their survival in the market.

The main goal and purpose of the existence of every company is a successful business that brings profit.

Faced with new and often insufficiently clear societal requirements, a significant number of companies provide only what is prescribed by law, believing that all other community expectations are less important. Others justify their deafness to the wider social interests with the ambiguity and conflicting demands of different groups and the suspicion that they as such are in the best interest of society.

It is encouraging that the growing number of strong and successful companies are trying to fully understand the complex relationship between the business world and society and that in their decisions they think about the well-being of all. This approach takes into account the need to restructure the role and business tasks of the company and strives to place responsible social behavior at the top of the corporation.

Nowadays, the new role of business in the wider social sphere is confirmed, and already visible results that socially responsible business and profit are not necessarily opposite categories. On the contrary, with that the company strengthens "its" which in modern conditions means strengthening the profit potential and must think much more how and how to get involved in solving the problems that their employees, consumers, suppliers face in everyday life. , intermediaries, etc. Corporate social responsibility is a business practice applied by more and more modern companies in order to gain a competitive advantage.

The practice of corporate social responsibility has evolved and expanded over the years. Consumers recognize and appreciate it and they become more attached to organizations and companies that work on the principles of socially responsible business. The reasons for this are globalization, the development of information technology, higher education and the growth of socially sensitive investments. The fact that many market leaders in many countries advocate such corporate behavior also has an impact on the expansion of socially responsible operations.

These are the elements of the new business philosophy, for which there is no alternative.

---

<sup>44</sup> Ibid.

<sup>45</sup> <https://catalystbalkans.org/DownloadFile.axd?strategy=contentitemdocument&fileName=bec21144-28a8-4ff4-8743-390c3e57dab0.pdf> (last accessed 01.12.2021).



### LITERATURE

1. Belicanec, T., Mucunski T., Klimoski A., ``Corporate Governance``, Skopje, 2014
2. Matešić, M., Pavlović, D., Bartoluci, D.: Social Responsible Working, VPŠ Libertas, Zagreb, 2015,
3. Tipurić, D.: Korporativno upravljanje, Zagreb, Sinergija nakladništvo, 2008.
4. Salarić, D., Jergović, A.: Poduzetništvo i društveno odgovorno poslovanje, Učenje za poduzetništvo, Vol.2,
5. No.2, Zagreb, 2012.
6. Varićak, I., Petračić, M., Brajdić, A., (2012.): Zbornik veleučilišta u Karlovcu, Karlovac.
7. Kotler P. and Lee N. CSR Corporate Social Responsibility. Zagreb: MATE d.o.o. (2011)
8. Parać, M. (2015) Corporate Philanthropy through History. Pula: Faculty of Economics and Tourism Dr. Mijo Mirković
9. McClimon, T.J. (2004): The Shape of Corporate Philanthropy Yesterday and Today, Grantmakers in the Art pg. 144.

### VISITED WEB SITES

1. <https://www.pharmacypractice.org/index.php/pp/article/view/142/144>
2. <https://catalystbalkans.org/DownloadFile.axd?strategy=contentitemdocument&fileName=bec21144-28a8-4ff4-8743-390c3e57dab0.pdf>
3. [https://ec.europa.eu/growth/industry/corporate-social-responsibility\\_hr](https://ec.europa.eu/growth/industry/corporate-social-responsibility_hr)