Corporate Social Responsibility (CSR)
Models and Theories in Stakeholder Dialogue

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ABSTRACT

The pharmaceutical sector, an industry already facing stiff tests in the form of intensified competition and strategic consolidation, has increasingly become subject to a variety of other pressures. Significantly, in common with other large-scale businesses, pharmaceutical firms are being exhorted to respond positively to the challenge of corporate (social) responsibility (CSR). Clearly, for individual managers within pharmaceutical firms the issue of CSR in the form of closely connected questions relating to patient access to health treatment, patent protection and affordability presents major problems. Part of the burden of addressing the demands of CSR is the need to engage effectively with a range of stakeholders. Individual managers in pharmaceutical companies have to confront the complicated task of choosing which stakeholder dialogue practices to adopt and why. This real-world management predicament runs parallel to an academic interest in CSR stakeholder dialogue theory and models. Accordingly, this paper contributes to primarily to the academic debate by reviewing past attempts to theorise CSR and stakeholder dialogue, identifying gaps and weaknesses, and proposing a diagram-type model as a refined prototype framework. However, ultimately the intention is to offer guidance to business managers. The model proposed here contains those factors considered most relevant for describing, analysing, and explaining the CSR stakeholder dialogue practices of pharmaceutical companies, with the intention of conducting comparative international research. It is envisaged that the model outlined will be employed in future empirical research concerning stakeholder dialogue practices amongst UK and German pharmaceutical firms.
INTRODUCTION

Given the critical attention that ‘big business’ in general and pharmaceutical companies in particular have received from *inter alia* the media, Governments and non-governmental organisations (NGOs), the pharmaceutical sector has increasingly come under the pressure of responding to the challenge of corporate (social) responsibility (CSR). This trend is set against a background in which the industry is already under considerable pressures arising from intensified competition and strategic consolidation. Clearly, CSR and the closely connected questions of access to health treatment, patent protection and affordability present major concerns for managers of pharmaceutical companies today. Part of the burden of addressing the demands of CSR is the need to engage effectively with a range of stakeholders. Individual managers in pharmaceutical companies have to confront the complicated task of choosing which stakeholder dialogue practices to adopt and why. This real-world management predicament runs parallel to an academic interest in CSR stakeholder dialogue theory and models.

To develop the points introduced above, it could be argued that the general public, whether rightly or wrongly, typically holds a negative perception of ‘big business’ (Acutt 2004:306; Clark 2000; Crane & Matten 2004:12; Deresky 2000:16; Greenfield 2004; Handy 2003:78; Hoertz Badaracco 1998; Kotler and Lee, 2005:221-2; Weiss 1998:4; www.mallenbaker.net 2004). One likely cause for the negative image associated with ‘big business’ is the repeated occurrence of certain high profile events, labelled by many as ‘scandals’. These events have involved some of the largest and, previously, most highly regarded organisations in the world including, for example, Enron, Arthur Andersen, Parmalat, Shell, Nestlé, Union Carbide and Nike (Ruggie 2003; O’Higgins 2005; Handy 2003). Their tainted image has often been fuelled by attention from the media and other stakeholders (Oxfam/VSO/Save the Children 2002; Clark 2000; Brammer and Pavelin 2004; www.twnside.org. 2004; Weiss 1998:35).
The pharmaceutical industry in particular has been criticised by various stakeholders for a variety of reasons including their allegedly high profit levels, use of patents, marketing expenditures, political lobbying, considerable investment requirement for new drug development, ‘creative accounting’, high price levels and price fixing, excessive executive salary levels, limited patient access to life saving/extending/enhancing drugs, animal testing, research methods and patient clinical trials, as well as environmental concerns (Haugh 2003; Quist-Arcton 2001; www.ethical matters.co.uk. 2004; www.iblf.org 2004). Accordingly, the pharmaceutical industry has been selected as the case study for this paper because it is deemed to be a distinctive for a number of reasons. First, given the nature of its products (i.e. therapies for human consumption to enhance the quality of life, to cure illness and/or save lives) the industry operates in a highly regulated market place. Second, owing to the very high level of profits it makes and extreme concentration of power found in the industry, which has been described as having “reached staggering proportions” (Rifkin 2005:2). The third reason is that the profits it makes are derived from a basic human need: health. This is regarded by many as a basic human need (www.abpi.org.uk, 2005).

Undoubtedly, for all types of business, how a firm is viewed and evaluated by stakeholders is likely to have a major impact its interactions with its stakeholders and is, therefore, a matter of significant managerial interest. However, for pharmaceutical companies in particular, who regularly face informed, critical, and active stakeholder attention from government, the media, from NGOs, and the public at large the nature of their relationships and communications with stakeholders are especially important. Many of these stakeholder groups view, to varying degrees, health as a fundamental human right and the direct responsibility of a sector that makes high profits relative to other industries. At the same time, financial stakeholders and
regulators continue to place more demands on financial performance and information requirements.

In short, business in general, but in particular the pharmaceutical industry, has come under increasing pressure from its stakeholders to act responsibly and to engage effectively with stakeholders via various dialogue practices. ‘Stakeholder dialogue’ has come to be seen by some as part of the broader spectrum of socially responsible action and activities that should be undertaken by companies. Stakeholder theory (Freeman 1984) suggests the idea that investing time and other resources in addressing stakeholders’ interests is a justifiable managerial activity. In this way stakeholder dialogue stands in contrast with the past explicit profit-orientated focus held by business, which was the focus of previous strategic, planning approaches (Crane and Matten 2004:50). The task of developing effective CSR stakeholder dialogue strategies for individual business managers in general, but in particular in the pharmaceutical business, an industry that is often termed “sensitive”, and whether rightly or wrongly, a proven prime target for negative stakeholder attention, is without doubt a challenge.

Building on some initial exploratory empirical research conducted in 2005 (Fairbrass et al. 2005), this paper makes a timely contribution to the debate about CSR and stakeholder dialogue practices. The paper plays its part primarily by entering the academic debate but in also offering some guidance for business managers. To achieve these objectives, the paper reviews past attempts to theorise stakeholder dialogue, identifies gaps and weaknesses in previous literature, and proposes a diagram-type model as a refined prototype framework. The model proposed here contains those factors considered most relevant for describing, analysing, and explaining the CSR stakeholder dialogue practices of pharmaceutical companies, with the intention of conducting comparative international research. It is envisaged that the proposed
model here will be employed in conducting empirical research concerning CSR and stakeholder dialogue practices amongst UK and German pharmaceutical firms.

This paper aims to present an alternative framework that describes, refines, and explains CSR stakeholder dialogue within the context of the pharmaceutical industry. To achieve these aims, the paper selectively maps the literature including key, concepts, ideas, and some theories, frameworks, and models on some subjectively chosen areas specifically related to the topic. The aim is to identify contemporary debates and show the importance of the various factors within the context of the CSR stakeholder dialogue challenge. The paper is theoretical in design and based on desk research comprising a literature review and secondary empirical data. The real world CSR stakeholder dialogue challenges facing pharmaceutical decision makers when choosing which practices to adopt form the basis for an academic perspective to theorise and model CSR stakeholder dialogue.

The remainder of this paper is divided into three parts as follows. Section two serves to justify the need for a new model by highlighting the key factors considered relevant for the development of a prototype model and indicating how current research fails to adequately to provide such a framework. In doing so the paper briefly provides an analytical, evaluative, and critically orientated review of salient themes, theories, and frameworks within CSR, stakeholder dialogue, and the pharmaceutical industry. Section three then selects, describes, and justifies those elements that are considered to be critical for explaining CSR stakeholder dialogue practices and thought to be essential to the new prototype model. Finally section four concludes the paper by summarising, clarifying, and defending the choice of elements and factors in the model.
CSR AND STAKEHOLDER DIALOGUE: A LITERATURE REVIEW

This section of the paper examines some of the key terms and concepts employed in the paper: namely, CSR and stakeholder dialogue. We turn first to CSR.

*Corporate Social Responsibility*

Although it is not a new concept, CSR remains an emerging and elusive idea for academics, and a contested issue for business managers and their stakeholders. Owing to the range of contrasting definitions, and often convoluted by varying use of terminology, the notion of CSR has lead to the emergence of a variety of practices (Freeman 1984; Crane and Matten 2004; Welford 2004; Habisch and Jonker 2005; Fairbrass et al 2005). In brief, the concept of CSR has evolved considerably since it first emerged in the 1950s (Carroll 1999; Freeman 1984:38; Carroll and Beiler 1977; Sturdivant 1977). As a result there appears to be disagreement about what the term means, whether it should be implemented, how it should be implemented, or why it should be implemented (Welford 2004; Stigson 2002).

Three specific factors may have been instrumental in determining that a vast amount of literature has emerged over the last half a century with regard to CSR. They include: the topic’s long research history during which many and varied theories, concepts, models, and themes have emerged (Carroll 1999; Welford 2004; Habisch and Jonker 2005; Fairbrass et al 2005); the ‘loaded nature’ of the topic which has resulted in two features: a). a generally negative image association, and b). confusion due to situation complexity, and in particular the question of responsibility/obligation (Freeman 1984; Crane and Matten 2004); and gaps between rhetoric and reality.

In short, definitions of the term CSR may depend on individual perceptions of responsibility/obligation that in turn addresses the broader topic of the role of the organisation in society (Deresky 2000; Stigson 2002; Woodward et al 2001; Maignan et al. 2002; Maignan
and Ferrell 2003; Epstein and Roy 2001; Haugh 2003; Crane and Matten 2004:439). In brief, the concept of CSR encompasses many dimensions of business activity ranging from the social (e.g., community programmes), to economic (e.g. employment) to the environmental (e.g. waste reduction). As part of fulfilling CSR obligations, firms can be expected to engage with their stakeholders, an activity that may be labelled stakeholder dialogue, to determine appropriate business behaviour under each of the three headings. It is to the topic of stakeholders and stakeholder dialogue that the paper now turns.

**Stakeholders and stakeholder dialogue**

The term “stakeholders” is broad in scope and have been defined as all those with a ‘critical eye’ on corporate actors (Bowmann-Larsen and Wiggen 2004). Freeman (1984:52) states that stakeholders are

“groups and individuals who can affect or are affected by, the achievement of an organization’s mission“.

Stakeholders, acting either formally or informally, individually or collectively, are a key element in the firm’s external environment that can positively or negatively affect the organisation (Murray and Vogel 1997:142). Their diverse nature and range of actors intrinsically present a problem for individual managers who are searching for a clear working definition for stakeholder dialogue. The challenge for business involves identifying to whom and for whom they are responsible, and how far that responsibility extends. Underpinning the difficulties of managing the relationship between a business and its stakeholders are the issues of divergent (and often conflicting) expectations between stakeholders (Greenfield 2004; Deresky 2000; Bowmann-Larsen and Wiggen 2004; www.mallenbaker.net(b) 2004; Murray and Vogel 1997; Stigson 2002; Castka et al 2004; Brammer and Pavelin 2004:706;
www.theglobalist.com 2004; www.iblf.org 2004; Oxfam/VSO/Save the Children 2002); contextual complexities (Daniels and Radebaugh 2001; Freeman 1984; Bowmann-Larsen and Wiggen 2004) that are further complicated by varying interpretations arising out of different geographical regions and cultures (Deresky 2000; Bowmann-Larsen and Wiggen 2004; www.mallenbaker.net(b) 2004; Stigson 2002; Castka et al 2004; Woodward et al 2001; Maignan et al. 2002; Maignan and Ferrell 2003; Epstein and Roy 2001; Haugh 2003; Crane and Matten 2004:439); and the challenge of identifying the best CSR stakeholder dialogue strategy and then communicating this to stakeholders (Weiss 1998). When attempting to manage these challenges, CSR stakeholder dialogue can be seen as a key vehicle for the “exchange” of CSR offerings between the firm and its societal publics, or stakeholders (Murray and Vogel 1997:142). This exchange is one in which the firm offers something of value (typically a social benefit or public service) to an important constituency and, in turn, anticipates receiving the approval and support of key individuals and/or socio-political groups in its environment.

The discussion immediately above indicates why it may be appropriate for managers to look to the firms’ constituencies and stakeholders when approaching strategic CSR planning activities (Murray and Vogel 1997:142), and how stakeholder dialogue plays a vital part in the development of CSR strategies.

**Overview of Previous Relevant Analytical Frameworks**

Having outlined in brief some of the basic issues arising from the terms and concepts used in this paper, we now turn to exploring in more detail some of the key contributions to the literature on CSR and stakeholder dialogue. Having conducted an extensive literature search and review, a number of key issues have been identified that are thought to be highly pertinent
to the discussion of CSR and stakeholder dialogue practices. See Figure 1, which takes the forms of a literature map that indicates the key factors identified.

**Factors Influencing SD Practices**

- **CONTEXT**
  - Circumstance
    - Pharmaceutical Industry
    - Size & power
    - Globalisation
    - Behaviour Record
    - STEEPLE
    - Culture
    - Geography/Climate
  - Stakeholders
    - Type
    - Relationship
    - Power
  - Event
    - Crisis/Issue
    - Type; Context & Timing

- **OBLIGATION**
  - CSR
    - Perceptions on:
      - Responsibility
      - Obligation
  - Challenges
    - Elusive Concept
    - Varying & conflicting expectations

- **RESPONSE**
  - CSR SD Practices
  - Management
    - Strategy
    - Practices/Policies
    - Governance
    - Communication
    - Image/Reputation
    - Control/Measurement

**Figure 1** Factors Influencing Stakeholder Dialogue Practices

Source: Authors

To provide further detail, see Figure 2, which provides an overview of the literature reviewed and the frameworks, concepts, ideas, models, categorisations, and classifications that were encountered and considered to be useful for describing, analysing and explaining stakeholder dialogue behaviour. For clarification, the literature selected was deliberately purposive. The review was designed to elicit information about what models and frameworks already exist, and how, where, when, and for what purpose they are deemed insufficient and weak or useful and beneficial to the research aims.
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<thead>
<tr>
<th>Category</th>
<th>Topic</th>
<th>Sub Topic</th>
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<tr>
<td>CSR Drivers/Influencers</td>
<td>Context/Circumstance</td>
<td>Environment Analysis</td>
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<td>FEST</td>
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<td>Culture Dimensions: (Hofstede 1997; Trompenaars 2004)</td>
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<td>Porter’s Five Forces (Porter 1985)</td>
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<td>Economic/political stance model (Blum-Kusterer &amp; Hussain 2000:302 &amp;303)</td>
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<td>Open System’s Model (Deresky 2000:19)</td>
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<td>Environmental variables affecting management functions (Deresky 2000:19)</td>
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<td>PWC model (<a href="http://www.PWC.com">www.PWC.com</a> 2005:1)</td>
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<td>People</td>
<td>Exceptional Communicators</td>
<td>(Gladwell 2005) Idea of net-workers; knowledgeable people and motivators</td>
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<td>Event</td>
<td>Issue type and Impact</td>
<td>(Gladwell 2005)</td>
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<td>Values</td>
<td>Philosophy; Vision; Mission; Objectives</td>
<td>Defined scope/boundaries/limitations of CSR responsibility/obligation</td>
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<td></td>
<td></td>
<td>(Deresky 2000: 56; Esrock &amp; Leichty 1998)</td>
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<tr>
<td>Alternatives</td>
<td>Response models and option selection/prioritisation</td>
<td>Carroll's CSR Model (Deresky 2000:57) and (Clark 2000:369)</td>
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<tr>
<td>Governance</td>
<td>Programmes/practices/policies to support</td>
<td>Response - (Deresky 2000:63 &amp; 69) codes of conduct &amp; definition &amp; decision making schema :72/72</td>
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<td>Communication process (Deresky 2000:140); channels &amp; cultural factors (:161); Model (:151 &amp; 154) Differences between two country's styles (:155)</td>
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<td>Managing company-stakeholder interdependence (Deresky 2000:74-83)</td>
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<td>Stakeholder Dialogue</td>
<td>Stakeholder dialogue process</td>
<td>(Burke and Lodgson 1996:501)</td>
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<td>Stakeholder Practices</td>
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<td>Stages (Clark 2000:367;369-370; &amp; 374)</td>
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<tr>
<td>Communication</td>
<td>Measured value of various aspects</td>
<td>Useful approach (Brammer &amp; Pavelin:708)</td>
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<td>Indicators of CSR ( Esrock &amp; Leichty1998:307)</td>
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<td>List of issues/ company responses &amp; list of indicators (Veleva et al 2003:115)</td>
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<tr>
<td>Business Outcomes</td>
<td>Credibility</td>
<td>Image/Reputation/Goodwill</td>
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</table>

Figure 2 Overview of Selected Frameworks

Source: Authors

In summary, the frameworks identified in Figure 2 were deemed to be useful (to varying degrees) in so far as they serve a variety of purposes with regard to CSR and stakeholder dialogue practices. The following tools are thought to be especially useful:

- STEEPLE for analysing the environment
- Other models that attempt to grasp the complex features of the environment. e.g. Porter’s classic five forces model is focused on examining industry rivalry.
For example, the latter model could be adapted and used in a modified way to analyse the various players and the forces that play a role within the CSR context, replacing industry rivalry with concepts such as ‘credibility’ or ‘risk avoidance’.

In particular, five dimensions of corporate strategy that are thought to be critical to the success of the firm and useful in relating CSR policies, programmes and process to ‘value creation’ were identified as being useful. The dimensions include: centrality; specificity; reactivity; voluntarism; and visibility (Burke and Lodgson 1996:496&497). Further, the approach suggested by Burke and Lodgson (1996:501) is comprehensive but the relationships between the elements could be better illustrated, and the practices portrayed in more specific detail. In addition, Hofstede’s (1997) and Trompenaar’s (2004) work on culture is relevant. Ideas about people and events, theories about values, strategy alternatives, and response models are also deemed to be significant in the context of CSR and developing a model for stakeholder dialogue practices. In particular, Carroll’s classic response model and Welford’s classification of CSR elements for researching practices are particularly worthy of specific mention for their effectiveness. Similarly, the new information on communication within CSR, as well as the wealth of literature on control indicators and managing goodwill, image and reputation, are valuable. However, each of these approaches is fragmented. None are adequate, sufficient, or satisfactory in their own right as a comprehensive framework to serve as an effective model of what is happening in its comprehensive, complex, and complicated entirety.

In short, the review of the literature conducted here identifies not only gaps but also misconceptions. Further, a review of the literature reveals a number of gaps in the existing research with regard to the information available specifically on the pharmaceutical industry, but also in the comprehensiveness of the models available. This is especially important when
it is recalled that a key element of management's response to the CSR/stakeholder dialogue challenge pivots around the alleged confusion and/or the juxtaposing viewpoints that prevail (O’Riordan 2006). This contention has implications for business decision-makers when defining their own position within the range of possible interpretations in developing stakeholder dialogue practices, particularly given the multiplicity of possible stakeholder positions.

Although attention from the media in criticising the pharmaceutical industry is widespread as indicated above, and interest in CSR and the pharmaceutical industry has increased recently in this area, to date the academic research and literature focusing on how decision-makers in the pharmaceutical industry are responding to the CSR challenges they face is limited. It appears that information specifically showing how pharmaceutical companies engage in stakeholder dialogue on their CSR practices is largely absent in the literature. In particular on topics relating to the identification of similarities and differences in definitions, practices, and motivations between the two target countries: the UK and Germany related specifically to the pharmaceutical industry, the research is scarce.

In summary, new empirical and theoretical research using the alternative or new model proposed here could contribute to the existing debate by addressing relevant issues about the topic of CSR/stakeholder dialogue. More explicitly, the gaps identified in the current literature and research include:

- Positioning in the external environment: The literature suggests that a procedural context for managing the social environment has been largely ignored (Murray and Vogel 1997:142). Further how pharmaceutical companies view their position in this greater external environment is not clear (Freeman 1984:40).
• CSR practices: The literature reveals that while there is much talk of what companies should do, information on, and analysis of what companies are actually doing in practice (and process) is lacking (www.duurzaam-ondernemen.nl 2006:2; Blum-Kusterer and Hussain 2001:1).

• Stakeholder prioritisation: The different priorities demanded of pharmaceutical companies in the name of CSR by various stakeholders, and how decision-makers prioritise is not clear (Stigson 2002; Woodward et al 2001; Maignan et al. 2002; Maignan and Ferrell 2003; Clark 2000; Epstein and Roy 2001; Daniels & Radebaugh 2001:561; Crane and Matten 2004:439; Murray and Vogel 1997).

• Stakeholder relationship type and issues: Murray and Vogel (1997) state that the way the firm is viewed and evaluated by stakeholders underlies all subsequent interactions. Information is lacking on this topic for pharmaceutical companies.

• Communication methods in stakeholder relationship: The literature (Clark 2000:363 & 372) reveals that effective communication methods are paramount but largely absent from social responsibility literature.

• Theoretical models are underdeveloped: The literature states that our popular culture and theoretical models are as yet underdeveloped. Further the roles that corporate actors play in modern society is not fully understood (Cropanzano et al 2004:109; Saravanamuthu (2001:295). In particular, management models that address CSR activities and firm-stakeholder relationships are identified as lacking (Murray and Vogel 1997:141). A framework or model that might help to fill these gaps is needed.
Having conducted this critical literature review, and having identified the gaps and potential weaknesses in the literature, this paper now turns to propose an alternative model that might go some way to addressing the deficiencies identified.

ALTERNATIVE MODEL

Review
Calling in 1984 for a new conceptual framework, Freeman (1984:4-5) stated how local, national, and global issues and groups were having far-reaching impacts on organizations and causing turbulence (specifically increased levels and types of change) that current paradigms did not suffice to address. Nearly 25 years later, these assertions are still relevant today: the literature review section concluded that managers need theories and practical help in engaging with the stakeholders affected by and affecting their businesses. Further, taking external change into account is still a critical success factor when developing business strategy. The challenge for management remains to be able to separate the ‘real’ and ‘important’ from the ‘trivial’ changes in the environment. Business managers also need to be able to analyse, prioritise, and engage with their stakeholders. Although much appears to have changed in business responses to the CSR challenge since the 1980’s, it might be argued that further change in how all stakeholders (including the company and individual managers) perceive the external and internal environment is required i.e. that the call for a new conceptual approach is still valid today. In summary, a review of the existing frameworks highlights the need for a more comprehensive model that encompasses many of the excellent frameworks reviewed here but which offers a more targeted, elevated, strategic, yet detailed, but inclusively broad-ranging level framework.

Building on the literature review reported above in section 2, this paper now proceeds by presenting a new or alternative model concerning CSR/stakeholder dialogue practices. The
purpose of the model is to identify those factors (and represent their linkages and relationships) that might be used to describe, analyse and explain stakeholder dialogue practices. The overall aim is to be able to identify and explain any differences that might emerge in the stakeholder dialogue practices of UK and German registered pharmaceutical companies.

**Model Description**

The proposed prototype 'model' is actually a series of three models. Each offers a theoretical approach based on a review of previous relevant literature. By developing this three-part framework, the aim is to satisfy two objectives. First, to offer a systematic description of the CSR landscape, including the associated processes and practices within it. Second, having carried out the survey above, to develop a framework for identifying and analysing the plausible explanatory circumstances or factors that influence the approach taken to CSR stakeholder dialogue in the pharmaceutical industry. The assumptions made build successively on each other. The three-part model is based on the following assumptions, that:

1. The environment is made up of four interrelated but analytically distinct domains: Context; Events; Stakeholders; and Dialogue Practices (diag. 1)
2. Each domain element can be analysed by alternative levels of perspective (diag. 2)
3. The process involves two phases and five distinct steps within them (diag. 3)
4. Achieving credibility is the driving factor (hypothesis)
Framework

Diagram 1: Overview of Circumstantial Domains

Diagram 2: Levels of Perspective for Analysing the Circumstantial Domains
The Model Explained

The three separate models are related as separate phases of the CSR stakeholder dialogue decision-making process. Firstly, the domains or elements of the landscape, playing field, or environment facing decision makers are portrayed in diagram 1. This serves to form the basis for a checklist of factors in order to clarify the key players and factors that influence CSR stakeholder dialogue practices. In summary, using an analogy from a strategic game of skill (namely, chess), diagram 1 represents the ‘chessboard’ and ‘chessmen’. Diagram 3 represents the potential moves. Diagram 2 represents the skill or the method for approaching which moves to make. The specific elements selected here were chosen for their merit in achieving a logical coverage of the broad-ranging breadth of topics that CSR and stakeholder dialogue decision-making encompass. Their selection is based on the two categories of influencing factors identified from the review of previous related research that was described in detail in section 2. The element ‘stakeholder’ is a key focus of this paper and the argued focus for strategy development as opposed to an exclusive shareholder orientation; the element ‘management response’ incorporates the element of strategic planning and action by
management with regard to CSR stakeholder dialogue as distinct from the role played by management as stakeholders; the element ‘context’ logically positions these two ‘players’ (i.e. stakeholders and management) within the environment or circumstances that they face. This element could include those factors highlighted in the literature review above, such as the political, historical, cultural, economic, and other environmental factors. More specifically the model could be used to incorporate the following detailed factors and their relationships that are considered relevant to stakeholder dialogue in CSR. For example the factors detailed in section a) relate to the ‘management response’ element box in diagram 1. Those in section b) relate to factors relevant at a sub-level to the ‘stakeholder’ element box. Those in section c) relate to the ‘context’ element box. For clarification, many of the model’s elements are often interdependent and not mutually exclusive.
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<thead>
<tr>
<th>Explanatory Model Question</th>
<th>Identification of and Relationship between the Factors</th>
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<tr>
<td>What factors influence CSR stakeholder dialogue practices of pharmaceutical companies targeting stakeholders in the UK and Germany?</td>
<td>a. Pharmaceutical Decision-Makers Opinion regarding (e.g.):</td>
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<td>• Responsibility/Obligation</td>
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<td>• Risk/Image</td>
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<td>• Stakeholders’ expectations (see below)</td>
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<td>b. Stakeholder Expectations based on (e.g.):</td>
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<td>• Internal Company Factors:</td>
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<td>1. Size e.g. employees/sales/value</td>
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<td>2. Success level e.g. profitability</td>
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<td>3. Type of business/industry</td>
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<td>4. External listing status</td>
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<td>5. Activity undertaken</td>
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<td>6. Business division</td>
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<td>8. Processes</td>
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<td>9. Issue involved</td>
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<td>11. Aspect e.g. health</td>
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<td>12. Affected e.g. poor people/children</td>
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<td>13. Communication with Stakeholders</td>
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<td>14. Business culture/approach to stakeholders</td>
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<td>15. Governance practices</td>
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<td>16. CSR practices</td>
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<td>17. Etc.</td>
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<td>c. External/Contingent/Conditional Issues e.g.</td>
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<td>1. PEST Climate</td>
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<td>2. Media Influence</td>
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<td>3. Effectiveness of Stakeholder Pressure</td>
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<td></td>
<td>4. Competitor Activity</td>
</tr>
<tr>
<td></td>
<td>5. Etc.</td>
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**Figure 3** Detailed Issues for Explanatory Model to Address (Source: Literature Review)

The final element of diagram 1 is the ‘event’ box. This allows for the possibility that despite the given context and the players involved, circumstances might change or be triggered by a specific event that is potentially always looming in the distance. The inclusion of this element allows for the incorporation of crisis and issue management planning, techniques, and tactics that are considered crucial in proactive CSR stakeholder dialogue management. In summary, diagram 1 sets the scene for the CSR stakeholder dialogue management process.

Diagram 2 provides a platform for including the theoretical aspect that the elements in diagram 1 can be analysed at different levels. It thus expands the applicability of the overall framework by making it useful at varying levels of consideration, while simultaneously
focusing attention on the necessity to choose and maintain the evaluation, so as to concentrate on one level of perspective at a time. These levels were chosen as they are considered to logically and exclusively portray the various analysis option levels. Finally, diagram 3 is a sub-classification of the “management response” element in diagram 1. Because the objective of designing the model aims to provide illumination for decision-makers undertaking CSR stakeholder dialogue business practices it was deemed useful to focus explicitly and in detail on this element. Diagram 3 clarifies the CSR process, the stages of which are adapted from those elements highlighted in the existing literature and frameworks as relevant as detailed in section two. The CSR process is considered to comprise two distinct phases: strategy development; and strategy implementation. The strategy development phase includes the factors:

- **values** which drive the strategy;
- **alternatives** which encompasses the various range of options available to decision-makers (e.g. using an analogy from chess, the pieces on the board that are available for be moved
- and the **strategy** (or action) which is the ensuing result from the decisions taken in the two earlier steps of phase 1.

The strategy implementation phase makes up phase two of the CSR process. It includes the factors:

- **implement and control** which involves the technical aspects of implementation at a more tactical level and the crucial step of control of the entire process (i.e. the feedback loop).
- Finally, the **output** step is included based on the rationale that a results orientated approach is beneficial to ensure an effective and efficient use of managerial resources.
The Model Justified

Knox and Maklan (2004:510) citing Clarkson 1995, warn about the dangers of undertaking research that attempts to empirically validate inherently un-testable frameworks of social responsiveness rather than concentrating on how firms actually manage their stakeholders. With this in mind the following application serves as an illustration of how the model can contribute some insights in filling the gaps identified and aiding pharmaceutical managers to manage their CSR stakeholder dialogue relationships.

Application: Positioning in the External Environment

The literature review reveals that although the posture of the firm with respect to the greater external environment is critical to understanding the cultivation of corporate goodwill, a procedural context for managing the social environment has been largely ignored (Murray and Vogel 1997:142). The proposed model (specifically diagram 1) could be used as a graphic illustration to aid discussion to uncover how pharmaceutical decision-makers view their position in this greater external environment based on the ideas proposed Freeman (1984:40).

Application: CSR Practices

The literature review suggests that while considerable research effort has been directed at refining the content of corporate performance, relatively little empirical investigation has been undertaken to date on the processes (Blum-Kusterer and Hussain 2001:1). This issue is specifically addressed in diagram 3 where the model can serve to clarify the recognised information gap. Further, analysis of issues such as past CSR experiences; response to specific events/situations etc. is possible via the values and alternatives element in phase 1 of the CSR strategy development process outlined in diagram 3.
Application: CSR Practices & Communication Strategies

The model clearly includes room for consideration about the dilemma of deciding which stakeholders should be a priority and how the choice is made (diagram 3). This addresses the challenge of pharmaceutical companies’ stakeholder relations identified in the literature as partly deriving from the different priorities demanded from firms in the name of CSR by different stakeholders. Further, the literature revealed that although effective communication methods are recognised as paramount for the overall impact of managing corporate-stakeholder relationships, they are largely absent from social responsibility literature (Clark 2000:363). Thus the model includes communication as a key area in diagram 3 both of phase 1 and phase 2 processes.

Application: To Counteract Existing Model Inadequacy

The literature stated that our popular culture and theoretical models are as yet underdeveloped (Cropanzano et al 2004:109; Saravanamuthu 2001:295; Murray and Vogel 1997:141). Freeman (1984:40) for example, states that there is a need for conceptual schemata that analyse external environmental forces including the complex interconnections between economic and social forces in an integrative fashion. This clearly identifies the need for a framework or model that might help to fill these suggested gaps.

In summary, the proposed model offers a systematic description of the CSR landscape, including the associated processes and practices within it, so that a comprehensive framework is achieved. Further this framework offers a platform for identifying, considering, and analysing, the plausible explanatory circumstances or factors that influence the approach taken to CSR stakeholder dialogue in the pharmaceutical industry.
CONCLUSIONS

This fourth and final part of the paper summarises and concludes the discussion. The paper has argued that CSR/stakeholder dialogue has become a critical business activity. A comprehensive review of existing literature on CSR stakeholder dialogue and the pharmaceutical industry, has formed the basis for a global, holistic, and comprehensive approach to the challenge facing business decision-makers of developing, implementing, and managing their CSR stakeholder dialogue strategy. In summary, having reviewed the literature on the concept of CSR and previous attempts to theorise stakeholder dialogue, the paper concludes that there are no simple solutions. Key themes identified as major challenges up front from a general review of the extensive CSR and stakeholder dialogue literature include: stakeholders, stakeholder dialogue, and CSR. These are concepts, terms, and labels that appear to be unclear and lacking general consensus on where priorities should lie or how exactly their pursuit proves beneficial to the company (Welford 2004; Stigson 2002). In addition, the operating environment was highlighted as a further complication owing to its broad scope and complex composition containing a range of cultural, political and many other factors. The distinctive features of the pharmaceutical industry, coupled with its identified “sensitive”, controversial, and complex nature has been the topic of previous academic literature (Brammer and Pavelin 2004; Haugh 2003; Quist-Arcton 2001). Its focus as a primary target for stakeholder pressure group interest groups alongside other industries including “sensitive” industries such as oil and chemicals (Acutt et al 2004; Brammer and Pavelin 2004; Maignan and Ferrell 2003), as well as the given challenge of managing stakeholder relationships for business decision-makers per se, combine to create and interesting, topical, and not always harmonious theme for examination via academic research.

The literature review identified merits but also the gaps and weaknesses of existing models, theories and frameworks which then formed the basis for proposing an alternative
analytical tool in the form of a diagram-type model. In short, in the evaluation phase of drafting this paper, emphasis was placed on analysing, dissecting, and extracting the most relevant factors and their relationships in a framework approach that should provide illumination about how CSR stakeholder dialogue practices are developed, implemented, and, ultimately, managed in the pharmaceutical industry. Based on the premise that in the area of CSR problems will be inevitable, a key driving motivation for managers is the crucial practice of risk avoidance. In conclusion, as the business trend towards more responsible behaviour becomes more relevant and increasingly visible, the question about what CSR practices managers really undertake has never been more significant.

A review of the literature specifically highlighted some key challenges that affect the firm-stakeholder relationship as well as the factors underlying practices and expectations. Attention was drawn to the nature of the challenge facing individual managers when attempting to act socially responsibly. In summary the most salient issues were deemed to include their role in addressing social problems including health, poverty, and access to medication. Further complications were identified in the form of contextual aspects of culture, geography, history, political and many more. Problems and gaps in knowledge were identified including the elusive nature of the stakeholder concept such as varying and often opposing positions and/or expectations, and the related concept of CSR. These were suggested to be further confounded by a generally negative perception of business following industry’s previous track record on various detrimental events. The role of the media and NGOs as key stakeholders who wield the power to mount critical campaigns was noted. The paper has also raised questions about how business decision-makers establish CSR priorities, manage their stakeholders, and develop particular strategies and tactics to effectively address CSR stakeholder dialogue. Given this focus, categorisations were identified to drive the
identification of factors, elements, and frameworks that might be useful for inclusion in an explanatory model.

An assessment of existing models (in serving to address the challenges, frame the confusion, and generally add value) indicated that current frameworks are useful for addressing fragmented or discrete questions, but inadequately address the CSR/Stakeholder Dialogue challenge in its entirety. Further, a review of existing theories revealed that on balance undertaking research and examining the results within the framework of existing theory such as legitimacy, political economy, or discursive institutionalism could add robustness to the research findings. For feasibility reasons however, it is necessary to focus on one or a few chosen theories. Finally, gaps in existing research clearly identified the need for further research. In short, the issues, challenges, and gaps drive the development of the new prototype model proposed here. In particular they drive the rationale for the requirement for a new model to more adequately grasp, illustrate, and explain via a conceptual schemata, the key external environmental forces affecting CSR stakeholder dialogue in the pharmaceutical industry including the complex interconnections between economic, political, social, and other forces in an integrative fashion.

The alternative model proposed in this paper attempts to throw some light on CSR stakeholder dialogue in the pharmaceutical industry by comprehensively linking external change drivers with a systematic approach on how to analyse them. In this way a platform for a CSR stakeholder dialogue decision-making process emphasising organisation-societal and stakeholder relationships, and image/reputation/goodwill strategy and communications was established. This refined framework aims to aid the structured, systematic, and strategic achievement of CSR stakeholder dialogue decisions within the increasingly complex and uncertain context in which it takes place. Section 3 explicitly showed how the model is an improvement on previous attempts and demonstrated how it clearly fills the gaps identified
where past research was considered inadequate. In short, the new prototype model is considered particularly useful for its ability to offer an adequately comprehensive and all-encompassing platform that incorporates all areas of the decision-making process from the planning through to the consequences phases of the firm’s CSR stakeholder dialogue actions. Simultaneously, however, the model is considered sufficiently specific to focus on detailed aspects or stakeholders as deemed appropriate by CSR decision-makers.

This refined alternative model prototype proposal will be subsequently tested via primary research using data collected in further research as part of the separate PhD thesis, which will serve to test the validity of the theory proposed here. The new model will play a paramount role in the data collection and analysis phase of the PhD research design which adopts a case study approach to undertake comparative research using mixed methodologies and triangulation to test existing concepts and theories on CSR stakeholder dialogue practices via data collection using documentary analysis, a survey, and in-depth interviews. Further, although applied here to pharmaceutical industry the model is not only limited to that sector. It is considered useful for testing in further research particularly in the pharmaceutical industry to validate and verify the findings here, but also for other industries. Within this context this paper serves as an interim working document.
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