

PAPER

**Corporate Approaches to
CSR Stakeholder Engagement in the
Pharmaceutical Industry**

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ABSTRACT

This paper presents a critical examination of Corporate Social Responsibility (CSR), comparing stakeholder engagement in the pharmaceutical industry in the UK and Germany. An extensive literature review reveals that despite the controversial nature of the pharmaceutical sector's business activities, which particularly exposes this industry to sceptical stakeholder attention, (see for example Rifkin, 2005; O'Riordan, 2006; ISO, 2010:65-6), the theme of corporate approaches to responsible stakeholder management has been under-researched. To address this gap, this paper combines conceptual underpinnings from the literature with empirical research to address three central questions. First, what CSR stakeholder engagement practices do the surveyed companies undertake? Second, are there similarities and/or differences between the stakeholder management practices undertaken by the UK and German firms? Third, what factors influence the practices identified? To answer these research questions the paper explores empirical data which were obtained via a five year qualitative, exploratory research project. The research utilised multiple research methods to investigate the challenges faced by CSR managers when attempting to balance the competing interests of various stakeholders in the pharmaceutical industry (O'Riordan, 2010). Selected findings are presented in this paper, organised under headings provided by the six key analytical codes employed: namely, 'terminology', 'stakeholders', 'communication', 'organisation/governance', 'projects/ activities', and 'expectations'. The main contribution of this paper is to characterise the nature of stakeholder engagement in the pharmaceutical industry in the UK and Germany.

INTRODUCTION

How do decision-makers in the pharmaceutical industry in the UK and Germany manage their CSR stakeholder engagement activities? The need for fresh research in this field became evident during an extensive review of the previous relevant academic literature which revealed a significant lack of empirical data relating to the pharmaceutical industry and its CSR stakeholder engagement activities. Whilst the general academic literature on topics which are directly related to CSR management is considerable and continually growing, there is a lack of past scholarship which precisely explains *how* to manage CSR stakeholder engagement in practice and which exposes the determining factors (Murray and Vogel, 1997; Ferrell *et al*, 2008; Ferrell *et al*, 2010; Crane and Matten, 2010; O’Riordan, 2010). In short, an examination of the extant scholarship revealed that the evidence regarding the business tools and techniques i.e. the specific *modus operandi* employed when managing firm-stakeholder relationships was limited. (Crane and Matten, 2010:224; O’Riordan, 2010:5). To address the identified shortcomings, the paper aims to remedy the research deficiencies and, accordingly, focuses on three research questions. First, what CSR stakeholder engagement practices the surveyed companies in the UK and Germany undertake? Second, are there similarities and differences between their CSR stakeholder management practices? Third, what factors appear to influence the identified practices?

To respond to these research questions, this paper is structured as follows. First, key conceptual underpinnings from the relevant academic literature are reviewed. Then the methodology is briefly outlined. Next the research findings¹ are presented and the management and academic implications of these findings are discussed and evaluated (O’Riordan, 2010). The paper

¹ Please note that the research results presented in this paper are based on evidence which was obtained in separate research (O’Riordan, 2010). If required, that research is available upon specific request by email.

concludes by summarising the overall research contribution, addressing the limitations of the work, and suggesting recommendations for future research

UNERPINNING CONCEPTS AND FRAMEWORKS

Having conducted the literature review mentioned above, it became apparent that past scholarship does yield some important contributions. More specifically, the survey of past research showed that there are some (albeit fragmented but) useful concepts and frameworks which can be employed (on an isolated basis) to achieve the following:

- Characterise stakeholder engagement;
- Undertake international comparative research of the above (i.e. between firms in the UK and Germany);
- Provide some indication of the determining causal factors for the similarities and differences identified during the comparative research.

This section now examines each of these aspects. The concepts which were identified in the research which forms the basis for this paper² to characterise the nature of CSR stakeholder engagement are first explored.

The Six Codes Employed to Describe CSR Practice

A review of past scholarship in the field revealed or suggested six potentially useful concepts (or codes) with which to analyse and portray CSR stakeholder engagement. These are: 'terminology', 'stakeholders', 'communication', 'organisation/governance', 'projects/ activities', and 'expectations'. Each of these are now examined in turn.

² These conceptual underpinnings have been drawn from separate research (see O'Riordan, 2010:56-73 for further details)

First, with respect to *terminology*, past scholarship suggests that industry has never been comfortable with the language used in business ethics (van Liujk, 2001; Schwartz and Carroll, 2008). The many terms employed imply differing meanings which creates conceptual confusion about what each concept means, or should mean, and how each might relate to the others (see for example Schwartz and Carroll, 2008:149). As a result, recognising ‘practitioner terminology’ could be helpful in CSR management (e.g. Crane and Matten, 2004:67). In this regard, the literature emphasises the value of paying close attention to the dynamics of language and visual imagery concerning the range of terms used instead of or alongside CSR (May *et al*, 2007). Significantly however, past scholarship does not specify which terminology is employed by firms when managing their stakeholder engagement. More specifically, the existing evidence merely points in general terms to the possibility of potential diversity with respect to definitions in the terminology adopted (O’Riordan 2006; Fairbrass *et al*, 2006; May *et al*, 2007:8).

Second, fresh research is required to clearly identify how *stakeholder interests and demands are prioritised* by companies. In particular, stakeholder prioritisation and relationships with respect to ‘power’, ‘legitimacy’ and ‘urgency’ require further investigation (Mitchell *et al*, 1997; Murray and Vogel, 1997; Clark, 2000; Daniels and Radebaugh, 2001:561; Woodward *et al*, 2001; Maignan *et al*, 2002; Stigson, 2002; Maignan and Ferrell, 2003; Crane and Matten, 2004:439) because past scholarship fails to reveal which stakeholders are considered key by the pharmaceutical industry (see for example Burchell and Cook, 2006; Crane and Matten, 2010). In this regard, the literature neither discloses the perceptions and practices behind this prioritisation nor how the process is managed.

Third, data which reveals how CSR engagement responses are *communicated* to those identified stakeholders is needed. The discussion presented above on the recent developments in

the field of CSR *communication* and stakeholder dialogue (see for example Habisch and Jonker, 2005:6; Gouldson *et al*, 2007; Greenwood, 2007; ISO, 2010:73-6) indicates that an interactive form of communication with stakeholders would be valuable (Burchell and Cook, 2008:41). However, there is little detailed analysis either on the processes and practices in general or for the pharmaceutical industry in particular (O’Riordan and Fairbrass, 2008). As a result, given the crucial role of communication in CSR (ISO, 2010), communication methods in stakeholder relationships need to be more closely examined (Clark, 2000:363 & 372).

Fourth, past scholarship further fails to specifically detail how CSR stakeholder engagement is *organised* or *governed* (e.g. Hond *et al*, 2007). One key issue is the nature of CSR itself which incorporates both the challenge of ‘ethical relativism’ as well as the requirement to balance various triple bottom-line interests when deciding how to manage CSR (e.g. Ferrell *et al*, 2010:233-82). In general, the discretionary nature of CSR means that it is conceptualised as either a corporate or a managerial response (Hond *et al*, 2007:123). As the various roles and job descriptions which comprise the business structure may create opportunities for unethical behaviour (e.g. Ferrell *et al*, 2010:302-12), the general literature suggests that the organisational structure is important in the study of CSR. However, literature concerning the pharmaceutical industry in this field is incomplete. As a result, it is unclear whether CSR is organised via a *centralised* or *decentralised* approach and how this affects or is affected by the corporate culture. The voluntary nature of CSR (e.g. Ferrell *et al*, 2010:268-70; Crane and Matten, 2010:149) is possibly the reason why the literature on strategic integration of CSR into business models is still underdeveloped (Denchev, 2005). The failure to integrate and embed corporate responsibility strategy into core business activities (e.g. Porter and Kramer, 2006) could cause inadequate stakeholder engagement due to a lack of enabling resources, structure, and accordingly commitment. This could pose a barrier to unlocking the full value of a business’ potential (CSR

Europe, 2009). Nevertheless, recent literature is beginning to suggest that companies of all sizes increasingly see CSR not as something 'extra', but as an integral part of their basic commercial strategy (Matten and Moon, 2008; International Business Leaders Forum (IBLF), 2009; ISO, 2010). Significantly in this regard, a review of the literature highlights that CSR efforts could be leveraged more advantageously (Porter and Kramer, 2006) for instance in the form of better developed strategies, in order to improve the overall impact of the resources invested. As a result, some authors recommend the need for more qualitative research to document the cognitive aspects of how managers respond to stakeholders' expectations (Laplume *et al*, 2008).

Fifth, the academic literature does not make clear which *projects/activities* are being undertaken under by pharmaceutical companies in the UK and Germany as part of their CSR portfolio of activities. If accountability means that companies assume responsibility for the impacts of their practices, policies, and the decisions which stand behind those programmes (Waddock, 2002:219), past scholarship insufficiently illuminates the variety of activities that have emerged under the auspices of CSR (Freeman, 1984; Welford, 2004; O'Riordan, 2006; Fairbrass *et al*, 2005; Crane and Matten, 2007). As a result, internal company CSR stakeholder engagement activities in the pharmaceutical industry remain unclear and under-researched. Moreover, the complex operating context facing pharmaceutical decision-makers, who attempt to manage the cumulative (and often conflicting) interests of a range of stakeholders in everyday practice (O'Riordan, 2006), may be part of the reason why the academic literature lacks evidence which reveals whether and how the CSR principles (stated by the industry) translate into *actual* stakeholder engagement *practices* (e.g. ISO, 2010:77-9). This is significant because the literature in general suggests that CSR is not always evident at operational level (Gouldson, 2002; Crane and Matten, 2007:145). Since past scholarship suggests that CSR principles do not always translate into stakeholder engagement practices, the existence of gaps between claimed CSR

‘rhetoric’ and the ‘reality’ of actual CSR practice requires exploration (O’Riordan and Fairbrass, 2008).

Sixth, the general lack of transparency outlined above regarding how the target decision-makers specifically manage their stakeholder engagement activities significantly highlights ambiguity with respect to *expectations* regarding the likely outcome of investing business resources in CSR activities. While some authors suggest that employees might be attracted to work for and be more committed to corporations which are perceived as being socially responsible (e.g. Greening and Turban, 2000), the explicit benefits and costs which motivate responsible business behaviour are far from clear (Crane and Matten, 2010). More specifically, although there are many good business reasons why it might be advantageous for companies to act in a ‘social manner’ as described by Friedman (1970), the literature does not reveal details regarding the primary motivations of the decision-makers in this target group. Although pharmaceutical companies and associations claim (and deliver statistics to support) active CSR practice (delivered via stakeholder engagement) as part of their basic business model (see for example IFPMA, 2009), the actual *impact* of these practices is uncertain. In this regard, previous literature has produced mixed, inconclusive and controversial results for measuring CSR performance (e.g. Hond *et al*, 2007; Welford *et al*, 2008; Crane and Matten, 2010:60) and the outcomes of stakeholder dialogue (e.g. Burchell and Cook, 2008:42). Consequently, examination of this target group’s CSR expectations might help to ascertain whether it can be judged to act in a trustworthy and transparent manner or not (Tapscott and Ticoll, 2003).

In summary, this critical examination of the empirical and conceptual research in the relevant field of study identifies the requirement for fresh exploratory research with respect to the specific practices related to the six themes of CSR management identified above. Consequently,

this review establishes part of the rationale for the first research question which seeks to identify the CSR practices undertaken by the target sample on these attributes.

The Concepts Underpinning the Anglo-German Comparison of CSR Practice

The evaluation of the CSR practices in both the UK and Germany via a multiple case study approach facilitates a comparison of CSR behaviour in a European setting (O’Riordan, 2010). Essentially, these specific countries were chosen because despite the fact that both are members of the European Union, they possess differing historical, political (Ronen and Shenkar, 1985; Habisch and Jonker, 2005), cultural (Deresky, 2000), as well as other relevant contexts and factors (Fairbrass *et al*, 2005). This assessment is worthwhile because comparative work regarding CSR practices of pharmaceutical companies in the UK and Germany is lacking (O’Riordan, 2010:63). This is significant because the pharmaceutical sector is of key strategic importance in both countries (ABPI, 2010; German Pharmaceutical Industry Website, 2010). More essentially however, this approach tests for anticipated differences in CSR practices between the Anglo-Saxon and the ‘capitalist-socialist model’ (e.g. Habisch and Jonker, 2005; Martin, 2010) due to diverse historical, political, cultural institutions as suggested by past scholarship (e.g. Deresky, 2000; Habisch and Jonker, 2005; Matten and Moon, 2008). Significantly, this facet of CSR practice is relevant because these contextual complications could signify national differences in how the surveyed businesses manage their CSR company-stakeholder relationships (e.g. Hofstede, 1997; Trompenaars, 2004; Chapple and Moon, 2005).

The Concepts Underpinning the Underlying Factors which Determine CSR Practice

Within the general context of the ongoing turbulence in the business and society relationship *per se* (Carroll and Buchholtz, 2009:5), there is not sufficient evidence in the

literature to establish whether or not the target companies are acting in an accountable, trustworthy and transparent manner (see for example Schwartz and Carroll, 2008:171; Tapscott and Ticoll, 2003). Moreover, the multifaceted environment in which the pharmaceutical companies operate, many of whom are global or transnational, means that their managers face a particularly complex milieu (Deresky, 2000; Daniels, and Radebaugh, 2001; Stigson, 2002). Therefore, a review of the factors which influence how the target decision-makers' manage their CSR stakeholder engagement is vital.

To explore these issues in greater detail, this section now provides a brief survey of those factors which may affect the business operating environment faced by CSR decision-makers. In overview, these include three specific contextual factors involving the institutional, political, and cultural contexts in the UK and Germany, the elusive nature of CSR itself, and factors related to how CSR impact is defined.

First, the possible *differing regional and cultural distinctiveness* identified in the previous section highlights contextual factors which could trigger potential variation in values, beliefs, and/or attitudes which may accordingly generate varying expectations with respect to CSR practices. Consequently, the country of operation/origin is one influencing factor which could determine both the CSR response and impact in a given country. Significantly in this regard, the literature suggests that differences in national perceptions about CSR may lead to contrasting national conceptualisations of CSR (Chapple and Moon, 2005). Some authors suggest that this implies that Europe, as a region, may develop its own distinctive and unique model of CSR (Crane and Matten, 2007), or that individual national concepts may flourish (Habisch and Jonker, 2005:6). As a result, this aspect requires further study for this particular target group.

Second, previous scholarship (e.g. Carroll, 1979; Ferrell *et al*, 2010:282) proposes that *the discretionary nature of CSR* may itself cause diversity in organisational response when managing stakeholder engagement. Significantly, against the background of the relentless debate surrounding the literature in the field of business ethics and leadership (e.g. Kotter, 1990; Badaracco and Webb, 1995), past scholarship suggests that leadership has a profound role in shaping the ethical decisions of their employees (Crane and Matten, 2010:224). However, it remains unclear how the discretionary (moral and strategic) nature of CSR decisions (e.g. Greenwood, 2007:321) influence the inter-relationships between the attributes which have been suggested as likely determinants of stakeholder salience (Mitchell *et al*, 1997). Accordingly, it is unclear how these factors influence managers' choices as they attempt to balance their stakeholders' frequently varying and conflicting interests (e.g. Freeman, 1984; Hill and Jones, 2007:374-7). Possibly as a result, many of the management approaches have been characterised as 'vague', 'self-serving' and therefore neither useful to stakeholders nor to the organisations' management (Crane and Matten, 2010:214). In this regard, past scholarship neither explains how pharmaceutical leaders shape ethical-decision-making nor how well their management approaches are working. Accordingly, despite the ubiquity of the 'stakeholder concept' (Donaldson, 2002), stakeholder engagement remains an under-theorised area (Greenwood, 2007:318). For instance, many accounts of stakeholders' activities focus on the attributes of organisations and stakeholders rather than on the attributes of the *relationship between them* (Froomann, 1999). Consequently, although much has been written on individual topics, there is insufficient material which addresses the factors which influence the CSR perceptions and practices of the pharmaceutical industry.

Third, in an attempt to explain the phenomena discussed immediately above, the literature suggests that because *contextual influencing factors* may determine varying CSR approaches and

activities (as discussed above), most significantly, this could result in differing expectations with respect to return on CSR investment (Crane and Matten, 2007). Crucially, this aspect of CSR stakeholder management is related to *how CSR impact is defined*. Due to the controversy and debate regarding what 'counts' as CSR discussed above, previous scholarship fails to sufficiently expose *how CSR choices are made* by the decision-makers in this industry and what influences their judgment. More specifically, this includes significant gaps in the academic literature with respect to how the target decision-makers define their concept of CSR and the determining role played by the stakeholder interests involved, as well as the issue of transparency coupled with a lack of effective management tools to measure CSR performance. Establishing more clarity in these areas is significant because exchange theories, which help to explain the influencing factors and inter-dependencies in stakeholder relationships (see O'Riordan, 2010:18-99 for further details), suggest that dependency increases in a stakeholder relationship which focuses on transaction cost and/or resource dependency (e.g. Donaldson and O'Toole, 2007:27). The literature further indicates that this may lead to negative outcomes due to power conflicts (e.g. Stern and Reve, 1980) when one partner dominates such as in an agent-principle relationship (e.g. Gassenheimer and Calantone, 1994). As a result, these findings imply that the current leadership mindset requires investigation to more explicitly identify how CSR is defined, managed, and consequently measured. In short, this examination could help to ascertain how the surveyed industry leverages its CSR activities to achieve long-term sustainable competitive advantage (e.g. Porter and Kramer, 2006 & 2011) which could ultimately result in a more balanced realisation of stakeholder interests.

RESEARCH DESIGN

To address the identified lacunae, the empirical research undertaken which is selectively reported here forms one part of a wider research project which more broadly addressed corporate perspectives in CSR in management (O’Riordan, 2010). The wider research study is primarily a qualitative examination of the CSR practices of senior business executives in major pharmaceutical companies in the UK and Germany. In brief, the research study employed a comparative, case-study approach and mixed methodologies to collect data between 2005 and 2010 via four different methods of data collection. These methods included: documentary analysis of thirty-eight company websites and reports; a telephone survey which generated forty-six completed questionnaires; observation of the CSR stakeholder engagement practices of one hundred and forty-two pharmaceutical companies; and eighteen in-depth interviews.

The resulting data was analysed via the six codes discussed above: namely, ‘terminology’, ‘stakeholders’, ‘communication/dialogue’, ‘organisation/governance’, ‘projects/activities’, and ‘expectations’. These codes emerged from an analysis of the extant literature on CSR practice which suggested that these factors are salient in CSR stakeholder management (see previous section for further details). They are employed in the next section to present a summary of findings which have been purposefully selected from the wider research project undertaken (O’Riordan, 2010).

FINDINGS

Pharmaceutical Company CSR Practices

The fresh empirical data (O’Riordan, 2010) presented here builds on past research which investigated other industries (e.g. Acutt *et al*, 2004; Burchell and Cook, 2006 & 2008; Crane and Matten, 2010). These new findings reveal the CSR stakeholder engagement activities undertaken

by UK and German pharmaceutical firms. In overview, the data reveals a diverse, inter-active, and dynamic concept of CSR among the selected pharmaceutical companies in the UK and Germany. The remainder of this section presents the findings with respect to each these codes in greater detail.

Use of Terminology

The evidence from documentary analysis and the telephone survey provide consistent data which exposes the frequent use of multiple terminologies which are continually evolving. More specifically, the data indicates that while the term ‘CSR’ is the most frequently adopted, pharmaceutical companies in both countries typically employ a multiple and diverse range of often individualised terms to portray their socially responsible practices. Figure 1 below illustrates the specific terms which are employed by this target group to communicate CSR to its stakeholders.

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In summary, by furnishing insights into the terminology adopted by the target segment, the findings with respect to this code provide initial important leads in the quest to establish how decision-makers in the pharmaceutical industry in the UK and Germany interpret CSR. Significantly, this evidence confirms the claims made in past scholarship that ‘corporate social responsibility’ is the term which is most frequently used in Europe (e.g. Chapple and Moon, 2005; Fairbrass *et al*, 2005; Crane and Matten, 2010:82)³. Significantly, the evidence from in-depth interviews additionally suggests that the terminology adopted has evolved and is fashioned by contextual influences, as well as some measure of uncertainty regarding meaning and

³ These findings derive from a wider study. For further details see O’Riordan, 2010:159-65

significance. The interviews further reveal that actual practices are judged more salient in CSR management than the terminology employed to communicate those practices.

Stakeholders

The examination generated results which reveal both the *precise role* (i.e. importance) of the *stakeholder concept* in the CSR practices, as well as *which*, and *how*, stakeholders are targeted. In overview, the data reveal a diverse range of CSR stakeholder management activities. To elaborate, the evidence indicates that despite the confirmed salience of the stakeholder ‘concept’ in the *conceptualisation phase* of CSR management, the term ‘stakeholder’ is not always explicitly employed when *communicating* CSR. Crucially however, the data indicates that although it may not be overtly communicated by the surveyed firms, *stakeholder theory* is relevant in CSR management. Significantly, stakeholder prioritisation is revealed as evolving and task-dependent rather than on generic pre-ranking as suggested in previous literature (e.g. Murray and Vogel, 1997; Trebeck, 2008:352 & 357).

In addition, the findings confirm past scholarship about stakeholder rankings (e.g. Burchell and Cook, 2006; Crane and Matten, 2010:62) to suggest that CSR decision-makers in this target group prioritise ‘customers’ (in this case typically physicians and patients) and ‘employees’ as their most important stakeholders. This evidence expands on previous literature by revealing that ‘Non-Governmental Organisations (NGOs)’ are the least salient for this target group. Further, the results enhance past scholarship by suggesting that ‘company directors’ are ranked the highest on relevance in active consultation/dialogue for this target segment. Significantly, these findings provide new evidence on stakeholder ranking practices in the pharmaceutical industry which highlight a *task-specific approach* to stakeholder prioritisation rather than pre-selection of generic groups. Most importantly, in line with previous research (e.g. Pedersen, 2006), the data indicates

how the task of managing stakeholder expectations poses a complex challenge for pharmaceutical decision-makers. Consequently, by illuminating the specific complexity involved in responding to stakeholders' expectations in the name of CSR, these fresh findings highlight this target group's uncertainty regarding how to optimally balance stakeholder expectations. To a certain degree, these results help to explain the diverse dilemmas identified in other more general aspects of CSR practice⁴.

Communication

The evidence highlights a landscape of highly visible and explicit communication of CSR stakeholder engagement practices (particularly via company websites). More specifically, the in-depth interview findings furnish results which support the documentary analysis conducted to reveal that high levels of overt CSR content is communicated by the target pharmaceutical companies to their stakeholders. The documentary analysis findings indicate that eighty-four percent of companies screened (16 companies) addressed CSR prominently and explicitly in text on their home (or main/front) page(s) via the label 'CSR' or using another label to represent CSR. Additionally, the documentary analysis reveals the communication of a diverse range of activities and the wide variation of CSR-related themes/activities on the company websites selected (O'Riordan, 2010:173). Figure 2 below provides an overview list of these themes.

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In summary, assuming that these stated claims go beyond mere rhetoric, these findings confirm the importance of stakeholder engagement as a key component of CSR practice for the target

⁴ These findings derive from a wider study. For further details see O'Riordan, 2010:166-72

group as suggested in the more general literature (e.g. Burchell and Cook, 2006; Greenwood, 2007)⁵.

Organisation/Governance

Essentially, the evidence reveals that CSR stakeholder management spans a range of business functions. This indicates why CSR is a complex management task which is rarely undertaken by one dedicated department. Rather, multi-functional networks of responsible designated individuals address CSR at business/operational level. Further, these networks are guided by both centralised (i.e. global/from headquarters) as well as decentralised principles. This confirms a management approach based on a concept which has been termed ‘glocalisation’ in previous literature (Trompenaars and Hampden-Turner, 2004:3). The evidence obtained explicitly reveals how these central guidelines are then implemented depending on the company’s CSR evolutionary stage of development at local affiliate level. Within this typical approach, the PR department plays a notably pivotal stakeholder engagement/dialogue (i.e., communication) role. Consistent with the findings presented in the previous sections, the empirical data collected indicates a diverse, dynamic, activity-based approach to CSR organisation. Significantly, the evidence presented in this section is new in the sense that it illuminates organisational aspects of CSR practice at a level not previously addressed in past scholarship for this sector⁶.

Projects/Activities

The evidence uncovers a patchwork of projects/activities. This comprises both philanthropic and integrative CSR practices. *Philanthropic* CSR projects focus on investing business resources in social projects which are external to the business. *Integrative* CSR projects aim to assimilate CSR principles based on a long-term sustainable strategy into across all

⁵ These findings comprise excerpts from a wider study. For further details see O’Riordan, 2010:173-84

⁶ These findings comprise excerpts from a wider study. For further details see O’Riordan, 2010:184-91

business functions and corporate systems. These findings⁷ are significant because they help to reveal the diverse nature of the CSR activities undertaken as well as the strategic nature of the impact of the resources invested.

Expectations

The findings reveal a range of stakeholder expectations regarding the likely outcomes of investing business resources in CSR. These include the likely benefits as well as the costs which are envisaged by the managers to accrue from undertaking CSR activities. Essentially, the data indicates that practicing CSR is perceived by the firms to positively affect their image/reputation. However, because the presently understood benefits are largely intangible in nature, they are deemed difficult to quantify and accordingly, to *measure*. Significantly, data from two instrument sources consistently further reveal, that rather than being interpreted as a differentiating factor which could innovatively lead to reliable and sustainable competitive advantage, CSR is generally perceived by decision-makers as an *expense* to the business. These findings highlight key areas of both uncertainty and ineffectiveness surrounding CSR practice for the pharmaceutical industries in the UK and Germany. In short, this evidence essentially confirms the wider academic literature which highlights the complexity of attempting to balance stakeholders' interests within the ambiguous nature of CSR (e.g. May *et al*, 2007; Carroll and Buchholtz, 2009)⁸. The triangulated empirical findings which reveal the CSR management challenges and uncertainty are summarised in Figure 3.

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⁷ These findings derive from a wider study. For further details see O’Riordan, 2010:191-8

⁸ These findings derive from a wider study. For further details see O’Riordan, 2010:198-203

Anglo-German Comparison of CSR Practices

The research tested for and confirms some degree of national differences in CSR behaviour. An analysis of the evidence gathered to examine the CSR stakeholder management practices in the UK and Germany (O’Riordan, 2010) indicates broad similarities between the pharmaceutical companies in the two countries. However, the data also reveal some national differences, supporting previous research on the subject (see for example, Habisch and Jonker, 2005).

More specifically, data from the in-depth interviews suggests that the similarities between the UK and German companies may be explained by the centralised nature of CSR within companies, and by the homogenising influence of the EU and international guidelines (O’Riordan, 2010). Nevertheless, despite the similarities reported by some of the pharmaceutical managers in the UK and Germany, there is also evidence which points to the existence of some national differences (Habisch and Jonker, 2005). These take the form of de-centralised CSR practices at affiliate level. Significantly, this evidence substantiates the anticipated Anglo-Saxon version of CSR in the UK in comparison with the Rhineland model socialist-capitalism noted in past scholarship (e.g. Habisch and Jonker, 2005; Chapple and Moon, 2005). The empirical findings presented in this section with respect to similarities and differences of CSR practices in the UK and Germany are summarised in Figure 4.

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Factors Influencing CSR Stakeholder Engagement Practices

The evidence indicates that CSR decision-makers in the pharmaceutical industry in the UK and Germany prioritise and engage with their stakeholders in an approach which is based on

their (mis)perceptions and (mis)understandings which are in turn determined by a range of both external and internal factors. The *external factors* appear to be determined by contextual factors which include the political, economic, social and technological environments, stakeholder pressure (e.g. media influence), industry/competitor activity, and their business role/activity. On the other hand, the *internal factors* which seem to determine the target groups' CSR response to stakeholders' expectations include the company culture: that is, the leadership mindset driven by values and personal (moral) interest. These determine the company vision/mission. Further, the company profile (including size, origin, type, success), as well as the business aims and objectives (such as differentiation or internal/external communication) influence CSR practices. Significantly, the evidence also suggests that the company's internal stage of development with respect to CSR activities plays a key role in the CSR practices. The combined empirical findings presented in this section with respect to the factors influencing CSR practices are summarised in Figure 5.

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SUMMARY

This paper presents and discusses fresh empirical data which is employed to explore and compare the nature of CSR practices amongst pharmaceutical companies in the UK and Germany. By illuminating how the chosen sector manages its CSR stakeholder engagement activities, the evidence presented in this paper advances past scholarship by revealing in greater detail how managers in the surveyed group balance social and environmental aspects alongside their economic goals (Elkington, 1999; Lozano, 2010). The paper additionally explores the degree of the differences and similarities amongst the firms. In so doing, it provides some provisional explanation for the patterns observed and indicates the likely determining factors

which could influence the behaviour under investigation. Overall, the results show that CSR stakeholder engagement responses are still *evolving*. They indicate that whilst the CSR *concepts* underlying the CSR stakeholder engagement practices adopted differ in certain respects, the actual CSR stakeholder engagement and management *activities* of the UK and Germany firms are broadly similar. Notably, the findings importantly identify that CSR practice is *influenced by a range of internal and external contextual factors* (O’Riordan, 2010).

CONCLUSIONS

The fresh empirical research presented in this paper is the main contribution of this paper. By furnishing and analysing data which has been purposefully selected from a wider five-year research project to investigate the specific *modus operandi* employed by CSR decision-makers in the two countries (O’Riordan, 2010), this paper contributes both to the academic literature and to CSR management in three specific ways.

First, the research focuses on some significant gaps with respect to the CSR procedures and practices undertaken by the target sample in this field which were previously under-investigated. By providing fresh empirical data with respect to the CSR practices in this industry, the findings help to explain the similarities and differences which were identified with respect to six specific aspects of CSR management activities. These include precisely *how* pharmaceutical firms in the UK and Germany manage their CSR stakeholder engagement activities and what perceptions influence these practices i.e. *why they chose them*.

Second, the evidence presented in this paper supplements the current literature by conducting an Anglo-German comparison of the CSR practices of the pharmaceutical industry to investigate some of the potential differences. This approach tests for and confirms some degree of

national differences in CSR behaviour, as suggested by previous research (Deresky, 2000; Habisch and Jonker, 2005; Matten and Moon, 2008).

Third, the research examines the precise contextual factors which influence the practical management of CSR which a review of the extant literature (e.g. Murray and Vogel, 1997; Hond *et al*, 2007; Welford *et al*, 2008; O’Riordan and Fairbrass, 2008; Ferrell *et al*, 2008; Crane and Matten, 2010:224) identified to be incomplete. By exposing the factors which influence the CSR practices, these findings build on the previous literature (see for example, Crane and Matten, 2004:51 & 64; Crane and Matten, 2010:161, 151 & 495; Donaldson and O’Toole, 2007:29).

As a crucial next step with respect to future research, the explanations for the social phenomena which were obtained via the research presented in this paper (O’Riordan, 2010) are subsequently employed in supplementary research⁹ to test a conceptual framework which was developed in separate research by one of the authors (O’Riordan, 2006; O’Riordan, 2010; O’Riordan and Fairbrass, 2008). Accordingly, these findings contribute to the academic literature by providing a data-base from which to explore, examine, update, and thereby improve the original conceptual framework which was built from secondary data as one of the preliminary phases in that study (O’Riordan, 2006; O’Riordan, 2010). Consequently, by filling some important gaps in the evidence, the descriptive evidence obtained in this research study which reveals how CSR decision-makers in the pharmaceutical industry manage their CSR activities, facilitates the development of a new management framework which is designed to help decision-makers in the pharmaceutical business when managing their CSR stakeholder engagement activities.

⁹ See O’Riordan and Fairbrass 2012 ‘Managing CSR Stakeholder Engagement: A New conceptual Framework’ for further details

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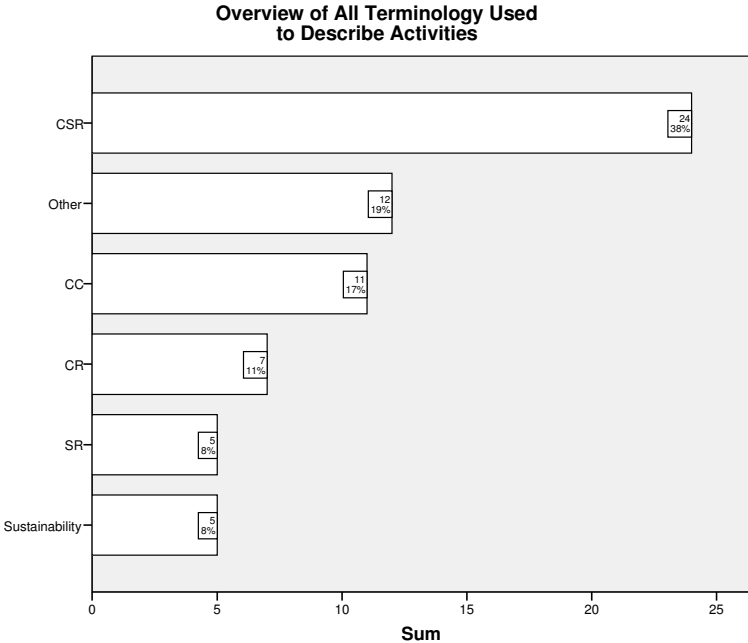
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Figure 1 – Terminology: Overview of Terminology Employed* **:



Source: Telephone Survey (O’Riordan, 2010: 160)

* For clarification please note that multiple responses were possible in this response.

**** Key:**

- CSR = Corporate Social Responsibility
- Other = Individualised term generated internally by the company
- CC = Corporate Citizenship
- CR = Corporate Responsibility
- SR = Social Responsibility

Figure 2 – Overview of CSR Activities Mentioned*:

<u>CSR Activity Mentioned</u>	<u>Mentions*</u>	<u>Company</u>
Commitment to: Society/ Community/ locally etc. (Incl. social commitment and caring)	12	Altana; Astra; Bayer, GSK; Lilly; Merck; Novartis; NovoNordisk; Pfizer; P&G; Roche; and Wyeth
Ecological Environment/Nature	12	Astra; Bayer, Boehringer; BMS; GSK; J&J; Lilly; Merck; P&G; Reckitt Benckiser; Roche; and Wyeth
Patient/ Health/ Safety	11	Boehringer; BMS; J&J; Lilly; Merck, Novartis, Pfizer; Roche; Sanofi-Aventis; Servier; and Wyeth
Specific company projects being undertaken	9	Altana; Astra; Bayer, BMS; J&J; NovoNordisk; Pfizer; Sanofi-Aventis; and Wyeth
Employees (and their) families / Workforce/Workplace	7	GSK; Lilly; Merck; P&G; Roche; Sanofi-Aventis; and Servier
Access to Medicines/ Helping those in Need/ Enabling Access/ Patient Assistance	6	Astra; BMS; GSK; Merck; Roche and Wyeth
Reporting / Transparency	6	Astra; Bayer; GSK; Merck; NovoNordisk; and Roche
Education/Training	3	BMS; Lilly; Wyeth
Ethnic/Cultural Diversity	3	Altana; Bayer; and J&J
Good Clinical Practice	3	BMS; Lilly; Roche
Honesty / Values / Integrity	2	BMS; Merck
Human Rights	2	GSK and Lilly
Innovation	2	Boehringer; NovoNordisk
Key Issues & Challenges	2	Bayer; Novartis
Management/ Measurement/ Control	2	Astra; Reckitt Benckiser
Outcomes / Milestones	2	NovoNordisk; Novartis
Philanthropy	2	BMS; Lilly
Biotechnology	1	Astra
Legitimisation of Activities	1	NovoNordisk
Rewards / Recognition	1	NovoNordisk
Social Acceptance	1	Altana

* Multiple responses were possible for this question

Source: Documentary Analysis from company websites (O’Riordan, 2010:174)

Figure 3 – Overview of CSR Activities Mentioned*:

Interviews furnish opinions from many respondents which expose Key Management Challenges:

- **Management uncertainty** due to:
 - Operational complexity
 - Stakeholder (negative) stance / unpredictable reaction
 - Unclear:
 - CSR scope/definition
 - Cost/benefits measurement
 - Management process

 - **Misalignment** between
 - Personal (agent) and company (principle) interests/goals
 - Stated company *values* and actual *CSR policies*
- ⇒ **Outcome:** Key aspects of the current CSR stakeholder management approach (mindset) could be improved

Source: (Adapted from O’Riordan, 2010:402)

Figure 4 – Overview of Similarities and Differences of CSR Practices*:

Codes/ Factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Similarities	<ul style="list-style-type: none"> • Similarity due to centralised approach 	<ul style="list-style-type: none"> • General similarity in both countries 	<ul style="list-style-type: none"> • Similarity due to centralised approach 	<ul style="list-style-type: none"> • Similarity due to centralised approach <u>but</u> structures are complex and evolving 	<ul style="list-style-type: none"> • Similar themes and codes of conduct 	<ul style="list-style-type: none"> • Similarity in management challenges for both countries
Differences	<ul style="list-style-type: none"> • More German terms on German sites • Terms ‘CSR’ & ‘Sustainability’ used more often in D • More diversity in use of terms in D and higher standardisation in UK 	<ul style="list-style-type: none"> • Some difference in attitude/ approach to CSR • Stronger business focus in UK • Stronger emphasis on society in D 	<ul style="list-style-type: none"> • Lack of standardised approach • Diversity in message conveyed on websites • Higher responsiveness in D • Diverse approach due to need for local sensitivity 	<ul style="list-style-type: none"> • Some diversity in decentralised activities • Higher tendency for dedicated CSR division in D • Responder: CEO more often in D • Marketing manager more often in UK 	<ul style="list-style-type: none"> • Limited diversity • Higher environmental regulation in D 	<ul style="list-style-type: none"> • Possible difference in perceptions with respect to meaning of ‘value’ and role of ‘company’ between the two countries

Source: (Adapted from O’Riordan, 2010:263)

Key: UK = United Kingdom; D = Germany

Figure 5 – Summary of Internal and External Influencing Factors:

Codes/ Factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Internal	<ul style="list-style-type: none"> • Evolution in expectations regarding companies role in society • Business objectives & activities influence stakeholder stance and communication 	<ul style="list-style-type: none"> • Evolution in societal roles and expectations regarding rights and obligations • Company stage of evolution • Business activity • Task at hand • Perceived outcome expectations 	<ul style="list-style-type: none"> • Decision-maker’s wish to portray ethical intent • Business objectives, activity & profile determines: <ul style="list-style-type: none"> - Varying CSR impact opportunity - Individual approach to language/ labeling used 	<ul style="list-style-type: none"> • Mindset (personal values & moral awareness) • Company culture • Size • Resources • Structure • Evolution stage • Decision-maker’s understanding of evolving perceptions 	<ul style="list-style-type: none"> • CSR approach • Leaders’ mindset on philanthropic or integrative strategy • Salience of : <ul style="list-style-type: none"> - CSR stage - CSR training 	<ul style="list-style-type: none"> • Leadership mindset (personal values & moral awareness) • Intangible nature of CSR: Assumed perception of what determines value • Measurement and outcome challenges • Uncertainty

External	<ul style="list-style-type: none"> • Evolution in expectations regarding companies role in society • History, politics & language may influence perceptions 	<ul style="list-style-type: none"> • Evolution in expectations regarding companies role in society • PEST factors 	<ul style="list-style-type: none"> • Cultural aspects e.g. PEST affects roles and expectations • Expectations are evolving • New opportunities to create greater CSR impact 	<ul style="list-style-type: none"> • PEST factors affect roles and expectation 	<ul style="list-style-type: none"> • PEST factors: Regulations; Tax; Societal need 	<ul style="list-style-type: none"> • PEST factors affect roles and expectation
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Source: (Adapted from O’Riordan, 2010:331)

Key: UK = United Kingdom; D = Germany