

Global Reporting Initiatives in the Context of Sustainable Development – A Study of Select Pharma Companies

Dr.PrasadaRao P, FIOD, Director General, Amity Global Business School, Hyderabad

Dr.Suchitra Rani,T ,Associate Professor, Amity Global Business School, Hyderabad

Abstract

Corporate social responsibility in business is something that has to be looked at seriously than treating it as a mere obligation, An inclusive and sustainable society only will be able to deal with the climate change, uplifting people below the poverty line, and provide carbon free air to society. For corporate social responsibility to work properly, Government, Businesses and Individuals should create a shared value by working together, thereby bringing a seamless integration. The present paper is an empirical study that highlights the challenges business organizations are facing while taking up CSR in the form of triple bottom line global reporting initiatives. Around 58 pharmaceutical manufacturing companies in and around Hyderabad city have been considered for the study. The aim is to assess to the extent the pharmaceutical manufacturing companies are taking up global reporting initiatives in economic, social and environmental aspects for sustainable development, through this study an attempt is being made to identify the bottlenecks coming in the way of effective implementation of CSR, which in turn impair sustainable development. The bottlenecks are addressed by seeking possible solutions from Industry experts through scheduled interviews and also referring to the best practices followed.

Key Words: Global Reporting Initiatives, Sustainable Development, Corporate Social Responsibility, Creating Shared Value, Inclusive Society, Challenges and Issues.

Introduction

A role of a business is to produce goods and services for which it draws resources from the society and a need was felt by organisations that they need to give back to the society in some or the other way. The CSR since last 70 years has transformed in meaning and understanding from mere generalized corporate philanthropy to more external purpose, in creating sustainable value for all key stakeholders and is not external alone but internal as well. Now that CSR is just not for name sake it takes place at the company level with several types of reporting routinely. Out of several reporting standards, this paper discusses **Global Reporting Initiative (GRI)** an initiative of the United Nations. The idea of creating a framework for sustainability reporting was formulated in 1997. The GRI vision promotes that performance of a company in very routine manner should be reported on the economic, social and environmental (Triple Bottom Line (TBL) approach) aspects just like financial reporting. The reporting is to see that the business not only makes profits but gives something to every stakeholder where by it will increase the transparency and accountability (Sharma, 2011).

The 3 variables of Triple Bottom Line (TBL) approach are: Economic, Social and Environmental factors. Economic variable includes procurement policies and legal, Social variable includes materials, energy, water, biodiversity, emissions, effluents and waste, whereas social includes employment, labour management relations, diversity and equal opportunity and security practices. Only Few of the Global Reporting Initiatives have been adopted understand the challenges that are faced by the pharmaceutical companies in trying to adhere to TBL and there by achieving sustainable development.

REVIEW OF LITERATURE

CSR is explained by contemporary business leaders in different ways. While Milton Friedman projects that actual purpose of organisation is to increase profits and there by generate goodwill, Mackey argues that every action in business need not always generate profit but could be to help others in the society. He also argues that business should be treated in a noble way and its purpose is creating value for stakeholders. (Mackey, Friedman and Rodgers 2005). Value is not simply financial value although investors will require a good return. For employees value might be job security, education, and respect for work–life complexity; for customers it might be safe and quality products at a reasonable price; for the environment, it might be biodegradable packaging, low carbon processes, and pollution control; for communities it might mean taking measures to assist the least advantaged. Just as a medical doctor’s purpose is to heal patients, a lawyer’s purpose is to seek justice, and a teacher’s is to educate, so too a manager’s purpose is to create value for stakeholders. All these professions have to make money in order to continue but that is not their purpose. While doing good to society the motivation for CSR can be to consciously and deliberately to help the less fortunate even if there is no clear return to the business. Acknowledging the possibility of this moral motivation as opposed to merely an instrumental motivation for CSR is a key factor distinguishing Mackey from Milton Friedman.

The traditional CSR according to Porter and Kramer; it is ‘a feel-good response to external pressure’, arising out of charity. ‘Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success’. It is ‘integral to profit maximisation’. ‘Corporate responsibility programs—a reaction to external pressure—have emerged largely to improve firms’ reputations and are treated as a necessary expense’. ‘...most companies remain stuck in a “social responsibility” mind-set in which societal issues are at the periphery, not the core’ (Porter and Kramer 2011).

OBJECTIVES OF THE STUDY

1. To find about economic, social and environmental initiatives taken up by various pharmaceutical manufacturers in Hyderabad
2. To find the challenges faced by pharmaceutical manufacturers in Hyderabad while implementing the economic, social and environmental initiatives.

METHODOLOGY

It is an empirical study based on both, primary and secondary data. The methodology includes, Sample Design, Design of Interview Schedule, Sources of Data, Analysis of Data and the same are detailed below

Sample Design

The present study is a sample study based on empirical data. The study is carried out by applying a survey method. Data for the study was collected from various heads of Pharmaceutical Manufacturers in Hyderabad. These Pharmaceutical Manufacturers in Hyderabad are around 60 in numbers. An interview schedule was administered and collected back.

Analysis of Data

Tools such as percentages, averages, mean and standard deviation is used for analysis of the data.

Item-wise Mean Score Comparison of GRI

An attempt has been made to understand how the various pharmaceutical manufacturing companies are taking up the global reporting initiatives. The economic, environmental and social initiatives were considered for the study and the results are discussed in the table below.

Table 1: Global Reporting Initiatives

Initiatives	Mean Scores	S.D
Economic Initiatives	2.64	0.57
Environmental Initiatives	2.93	0.57
Social Initiatives	2.65	0.31

(Source: Questionnaire)

It is evident from the above table that mean scores of economic initiatives (2.64), environmental initiatives (2.93) and social initiatives (2.65) are all not really as per the expectations which is either supposed to be 4 or 5 mean but all the three are below 3 mean score. From the data the initiatives on environmental factor seems to be better than the economic and social initiatives.

Challenges and Issues Regarding Economic, Environmental and Social Initiatives

Economic Initiatives and the Challenges

Under the economic initiative seven items have been considered from Procurement Policies related to suppliers of the pharmaceutical companies.

Table 2: Economic Initiatives

	Economics Initiatives	Percentage
1	More than half of the procurement budget is used to procure materials from local suppliers	13.4 agree
2	The association with the present supplier is for more than 5 years	26.4 disagree
3	Lead time given to the supplier for raw materials is sufficient	40.0 Strong disagree
4	The company procures raw materials or semi-finished goods from small and medium-sized suppliers	53.0 agree
5	The company prefers to procure raw materials from women enterprises	23.3 agree
6	The company prefers suppliers that are owned by or recruit workers from members of vulnerable, marginalized, or under-represented social groups.	21.0 agree
7	The company prefers only big suppliers for raw materials or semi-finished goods	26.6 agree

(Source: Questionnaire)

It was found that only 13.4 percent of the respondents have agreed that they procurement of raw materials is from the local suppliers. Whereas 66.6 percent of the respondents when interviewed the reasons why they couldn't adhere to the economic initiatives. Quality, Price and on-time delivery are three things that were important for the end product to be really good in pharma manufacturing. These three were definitely not found in the small local suppliers. However, few of the respondents were of the opinion that if local vendors were good they had no problem to buy from these suppliers.

26.4 percent of the respondents didn't have long-term relationship with the suppliers due to quality, payment cycles and competitive pricing. Anyone who could give the raw material with good quality, better payment cycle and competitive pricing were always the preferred suppliers.

The small and medium supplier or women entrepreneurs are never a problem to be considered as suppliers provided they are able to deliver the raw materials on time give at competitive pricing and payment cycle is also good. However 53.0 percent of the

pharmaceutical companies' favored small and medium supplier, but the women entrepreneurs were not many in this field and hence never an attempt was made to search and give orders to them, though 23.3 percent of respondents were positive about their association with women suppliers from raw materials.

Environmental Initiatives and the Challenges

Under the economic initiative twelve items have been considered for Environmental initiatives by the pharmaceutical companies. However these are further reduced to three main initiatives namely input materials like, oil, metals or water used are either recycled or reused, energy sources like hydro or electricity self-produced or purchased, disposal of the waste by self or thirty parties.

Table 3: Environmental Initiatives

	Environmental Initiatives	Percentage
1	Majority of input materials like, oil, metals or water used are either recycled or reused	46.0 disagree
2	Company goes for Self-generated energy wind/hydro/Solar source for production	13.3 Agree
3	Company goes for purchased energy wind source/hydro/Solar for production	13.3 Agree
4	Water is used from Surface water, including water from wetlands, rivers, lakes, and oceans	13.3 Agree
5	Water is used from ground water is the source of water for the company	6.7 Agree
6	Water is used from Rainwater collected directly and stored by the organization is the source of water for the company	6.7 Agree
7	Water is used from waste water from another organization source of water for the company	26.7 Agree
8	Water from municipal water supplies or other public or private water utilities source of water for the company	40.0 Agree
9	Hazardous waste and non-hazardous waste is disposed properly (Reuse, Recycling, Deep well injection, Landfill) by the company	10.0 Agree

(Source: Questionnaire)

It was opinioned by 46.0 percent of the respondents that recycling of the input materials like oil, metals and water is not very easy as most of these will contain toxic levels which after recycling also will still remain and use of recycled input materials will not a good result and the final product will not as per the standards. However, 32.0 percent did inform that very few cases they recycle and use when the procedure doesn't leave much toxic substances.

It was analyzed that Company doesn't prefer self-generated energy wind/hydro/Solar source for production. Instead it was observed that more than 40.0 percent of the respondents purchase electricity as the other energy sources can't supply the required energy levels. The other sources like hydro, wind and water is not much suitable to use for the production of the pharmaceutical products as heavy volts of consumption will not be produced by these sources. Hence, the preferred source is buying electricity.

Only 10 percent of the respondents agreed that they dispose off their waste and every pharma respondents was the opinion that disposal of the waste was definitely by thirty parties, the reason being that it was very difficult for them to dispose by self as it has several norms and

procedure was difficulty. They felt that this would just eat into their time and cost, hence a third person would dispose and they pay them to do so. The companies never try to find out how these third party will dispose of the waste.

Social Initiatives and the Challenges

Under the economic initiative fourteen items have been considered for social initiatives related to pharmaceutical companies. The social initiatives are recruitment policy, male to female ratio in recruitment generally and at the governing body level as well, security personnel recruitment and training by self or by the third party.

Table 4: Social Initiatives

	Social Initiative	Frequency
1	The newly recruited employees are mostly from local and near-by areas	46.7 Agree
2	The females employees to male employees ratio is equal	46.7 agree
3	Most of the Security personnel company owned	13.3 agree
4	Most of the Security personnel from third-party organizations	32.6 Agree
5	Most of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security	26.6 agree
6	Training requirements also apply to third-party organizations providing security personnel	26.6 agree
7	The company has workers who are below the age 18years	No one is below 18 years
8	Organization's governance bodies has an equal ratio of male to female	13.3 agree
9	Organization's governance bodies has minority on the board as well	No one is below 18 years
10	Organization's governance bodies has equal combination of members from all the age groups	33.3 agree
11	Organization's employees has an equal ratio of male to female	40 agree
12	Organization's employees has minority on the board as well	No one is below 18 years
13	Organization's employees has equal combination of members from all the age groups	33.3 agree

(Source: Questionnaire)

It was opined that 46.7 percent of the companies prefer the local employees. Anyhow most of them also felt any one is one and the same as skill is important. Coming to security guards special preference was given to security guards (32.6 percent) who are hired from a third party rather than having their own as these security guards are good at their work and maintain very good standards in checking and security.

The male to female ratio is not easy to maintain in the same ratio as most of the employees do night shifts and the work is difficult for the female employees. So the female employees are less when compared to male.

The male to female ratio on the governance board is also not equal. Only 20 percent of the respondents agreed that the ratio was equal. However, it was very difficult to find female employee at all level in pharmaceutical company as the nature of the work is relative difficult. Hence, promotions of female employees are also very less as no one is really available to promote.

Conclusion

The pharmaceutical sector is one of industry which needs to follow very high standards to manufacture all the life-saving drugs. The economic, social and environmental initiatives are appreciated with all the challenges the pharma industry is facing. There is no universal standard method of calculating TBL. This very feature gives an edge for companies to adapt the general framework of TBL to the needs of the company. Hence, it would be injustice if it is concluded that because the research shows that TBL result is not very encouraging that things are all bad in this sector. However, as per the discussions with the pharma experts and keeping in mind the subjective nature of the TBL framework it would be concluded that due to the nature of the pharmaceutical sector understanding each the outcome is better.

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