Social Good and Stakeholders’ Engagement in the Pharmaceutical Industry

Case Study of AstraZeneca Corporate Responsibility Practices

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Abstract

Private organizations are facing organizational field pressures which need to be addressed from an economic and ethical point of view in order to be sustainable in the long term. The present research study analyzes the role of the Pharmaceutical Industry as a provider of a social good and its responsibility towards its organizational field and stakeholder network. On the one hand it is argued that the mentioned industry should be profitable in order to make investments in research and development; while on the other hand, the industry must demonstrate engagement in the social sphere because of the good it commercializes, human health care. The Role of Organizational Policies, Codes and Structure will also be studied in order to deepen the understanding of the organization strategy towards Corporate Responsibility Practices.

This research project presents a case study of AstraZeneca Sweden Corporate Responsibility practices. In this study an Analytical Framework is developed based on institutional theory, the stakeholders' model, deliberative democracy model and business ethics. The mentioned framework will contribute to the understanding of AstraZeneca’s Corporate Responsibility practices. The role of the company towards the demands from the outside world that causes the organization to respond and act will be addressed as well as the role of Policies, Codes and Organizational Structure in the Corporate Responsibility practice of the organization. We argue that the managerial response should be based upon a deliberative engagement method, in which all the interest parties are included in the decision making process.

The study is supported by two interviews which were conducted with key actors and extensive secondary data.

Key Words

## Index

1. Introduction ........................................................................................................................ 2
   1.1 Background ................................................................................................................. 2
   1.2 Purpose and Research Questions ............................................................................... 3
   1.3 Target Group .............................................................................................................. 4
   1.4 Delimitation ................................................................................................................ 4

2. Theoretical Review ............................................................................................................. 5
   2.1 The evolution of the notion of Corporate Social Responsibility ................................ 5
   2.2 The Case Pro and Against Corporate Social Responsibility ........................................ 8
   2.3 CSR in Scandinavia ...................................................................................................... 9
      2.3.1 CSR in Sweden .................................................................................................. 10
   2.4 Institutional Theory and Stakeholders Model .......................................................... 11
      2.4.1 Institutional Theory .......................................................................................... 11
      2.4.2 Stakeholder Concept Evolution ........................................................................ 13
      2.4.3 Stakeholder Engagement ................................................................................. 14
   2.5 Deliberative Democracy Theory ............................................................................... 17
   2.6 Business Ethics ......................................................................................................... 19
   2.7 Analytical Framework ............................................................................................... 19

3. Research Methodology .................................................................................................... 21
   3.1 Case Study Research Strategy .................................................................................. 21
   3.2 Research Purpose and Approach ............................................................................. 21
   3.3 Data Collection Method ........................................................................................... 23
   3.4 Data Analysis ............................................................................................................ 24
   3.5 Trustworthiness of the research .............................................................................. 25
      3.5.1 Validity .............................................................................................................. 25
      3.5.2 Reliability .......................................................................................................... 25
   3.6 Ethic of the knowledge production process ............................................................ 26

4. Empirical Findings ............................................................................................................. 27
   4.1 AstraZeneca’s Profile ................................................................................................ 27
   4.2 AstraZeneca Sweden Organizational Field ............................................................... 27
      4.2.1 The National Board of Health and Welfare ...................................................... 28
      4.2.2 The Swedish National Institute of Public Health .............................................. 29
      4.2.3 The Medical Product Agency ............................................................................ 29
      4.2.4 The Pharmaceutical Benefit Board ................................................................... 29
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.5</td>
<td>County Councils</td>
<td>30</td>
</tr>
<tr>
<td>4.2.6</td>
<td>Apoteket AB</td>
<td>30</td>
</tr>
<tr>
<td>4.2.6.1</td>
<td>Tamro Group</td>
<td>31</td>
</tr>
<tr>
<td>4.2.6.2</td>
<td>Kronans Droghandel</td>
<td>31</td>
</tr>
<tr>
<td>4.2.7</td>
<td>Local Communities, Institutions and NGO's</td>
<td>31</td>
</tr>
<tr>
<td>4.2.8</td>
<td>Employees</td>
<td>32</td>
</tr>
<tr>
<td>4.2.9</td>
<td>Shareholders</td>
<td>32</td>
</tr>
<tr>
<td>4.2.10</td>
<td>Mass Media</td>
<td>33</td>
</tr>
<tr>
<td>4.2.11</td>
<td>Patient Groups</td>
<td>33</td>
</tr>
<tr>
<td>4.2.11.1</td>
<td>Swedish Patient Insurance</td>
<td>33</td>
</tr>
<tr>
<td>4.2.11.2</td>
<td>Pharmaceutical Insurance Association</td>
<td>33</td>
</tr>
</tbody>
</table>

5 Analysis of Findings | 34 |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Organizational Field's CR Pressures</td>
</tr>
<tr>
<td>5.2</td>
<td>AstraZeneca Management Response</td>
</tr>
<tr>
<td>5.3</td>
<td>AstraZeneca CR Strategy</td>
</tr>
<tr>
<td>5.3.1</td>
<td>Organizational Structure</td>
</tr>
<tr>
<td>5.3.2</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>5.3.3</td>
<td>Global Policies</td>
</tr>
</tbody>
</table>

6 Conclusions, Recommendations and Suggestions for Further Research | 46 |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Conclusions</td>
</tr>
<tr>
<td>6.2</td>
<td>Recommendations</td>
</tr>
<tr>
<td>6.3</td>
<td>Further Research</td>
</tr>
</tbody>
</table>

7 References | 49 |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Appendix I</td>
<td>56</td>
</tr>
<tr>
<td>9 Appendix II</td>
<td>56</td>
</tr>
</tbody>
</table>
List of Figures

Figure 1: Analytical Framework. Source: Authors................................................................. 20
Figure 2: Research Process Framework. Source: Spens and Kovacs, 2005, p.376.............. 22
Figure 3: AstraZeneca Local Organizational Field. Source: Authors. ................................... 28
Figure 4: AstraZeneca Sweden Stakeholders. Source: Authors........................................... 28
Figure 5: AstraZeneca Reputation Strategy. Source: Authors............................................. 39
Figure 6: AstraZeneca CR Priority Plan. Source: AstraZeneca........................................... 40

List of Tables

Table 1: Data Collection. Source: Authors.........................................................................23

List of Abbreviations

AZ - AstraZeneca
CR - Corporate Responsibility
CSP - Corporate Social Performance
CSR - Corporate Social Responsibility
R&D – Research and Development
SR - Social Responsibility
1 Introduction

The first Chapter outlines the relevance and the aim of the present master thesis project. The background of the topic as well as the purpose with its main research questions will be presented. Additionally, the readers will be provided with information about the target group, main addressee of this project. Finally, the delimitations and scope will be covered.

1.1 Background

We live in a world where capitalism and globalization dominate the economic arena and where success is measured in terms of economic growth and “yet we also live in a world with remarkable deprivation, destitution and oppression” (Sen, 1999, p. xi). In this scenario, there has been an increasing pressure on business to respond to the demands of the surrounding environment and therefore, Corporate Responsibility (CR) has emerged aiming to respond to these demands. Following this argument, CR may be understood as “the tribute that capitalism everywhere pays to virtue” (The Economist, 2005, p. 1).

The present research project will focus on the pharmaceutical industry in particular and how it manages the complex stakeholder situation it presents. The mentioned industry is often regarded with considerable suspicion by their stakeholders due to the fact that many of these agents regard health as a social good or basic human right. Pharmaceutical industries are under pressure from different agents to act responsibly arguing that the industry overcharges their products, limiting the access to this ‘social good’. This industry faces the conflicting dilemma between the property rights and the social good they produce. However, actors within the mentioned industry argue that property rights serve to defend the significant Research and Development (R&D) investment which is done in order to discover, develop, manufacture and market new medicines which are aimed to bring future benefit for the patients and the society as a whole. Furthermore, they state that there exists an increase pressure to address unmet medical needs and at the same time, there is a growing demand for medicines driven by longevity, increased populations and the emergence of new economies which tend to increase the industry’s need for investment (Reisel and Sama, 2003).

Pharmaceutical companies face a challenge in managing the tradeoff between the universal accessibility claim which provokes a downward pressure on the prices and the investment cost for R&D and innovation which contributes to society by preventing or alleviating pain and discomfort. Therefore, producers protect their products with patents for certain period of time. Once the legal patent expires, the branded product start competing with generic substitutes and since these manufacturers do not have the same costs in R&D, they adopt lower prices for their products (Pharma Futures 3, 2009).

Private organizations in general and pharmaceutical organizations in particular, are facing a complex stakeholder situation. Today, the increased social interest in the organization’s governance resulted in the utilization of the deliberative based engagement methods to include all the members of the public in the decision making process and to facilitate the collection or integration of their views, to a greater or lesser extent (Cass, 2006).

Business decisions need to be addressed from an economic and ethical point of view in order to be sustainable in the long term. Therefore, organizations must show respect of each person’s moral law and institutions as a basic social structure, which is in the center of
Rawls’ theory of justice. The mentioned author viewed society “as a fair system of social cooperation over time from one generation to the next” (Rawls, 2001, p.5). According to his conception of justice as fairness, the most reasonable principles of justice are those which arise from mutual agreement between persons under fair conditions. Therefore justice as fairness is based on the notion of a social contract. Rawls stated that the principles of justice as fairness, when respected by society, will lead to fair cooperation. Rawls (2001) argued that “the basic structure is to be arranged to maximize the worth to the least advantaged of the complete scheme of equal liberty shared by all. This defines the end of social justice” (p. 179). This conceptual approach to fairness is a valuable notion which stands as a cornerstone for managing complex stakeholders’ structures. Rawls contribution stands as the moral foundation of stakeholders’ theory (Phillips, 2003).

The ethical approach is complementing the economic one and gives a deeper insight to draw upon the companies’ complex organizational field. In the era of globalization, uneven wealth distribution, poverty and inequality are part of the economic scenario. Therefore, companies are assigned a new role towards society to deal with issues affecting the welfare of society as a whole. In this sense, a deeper understanding of Rawls principles may be understood as a step towards this direction.

The present thesis will focus in particular on the global pharmaceutical company AstraZeneca (AZ). Firstly, we chose the mentioned company as it is one of the world leaders in the pharmaceutical industry. Secondly, the study will focus in AstraZeneca Sweden due to the fact that the mentioned country represents an important hub of the organization, having its own Corporate Responsibility governance structure. Therefore, this research will focus in the Swedish pharmaceutical Industry AZ and how it engages with its environment to develop corporate responsibility practices. We would like to clarify that Corporate Responsibility, in the case of AstraZeneca, is in fact the same as Corporate Social Responsibility (CSR). Therefore, throughout the present project CR and CSR are treated as synonyms.

1.2 Purpose and Research Questions

The purpose of our master project is to understand how the pharmaceutical industry, in particular, AZ Sweden, develops CR practices. In order to get deeper into our main research question, two sub-questions will be addressed. Firstly, we will analyze the role of the Pharmaceutical Industry towards its organizational field and stakeholder network in the construction of CR practices. On the one hand, the mentioned industry should be profitable in order to make investments in R&D; while on the other hand, the industry must demonstrate engagement in the social sphere because of the social good it commercializes, human health care. The core to answer this question is the building of legitimate business practices through their dialogue with the organizational field and stakeholders’ network. Secondly, we will analyze the role of the Policies, Codes and Organizational Structure in the CR practices of the organization. Thirdly, the present research project will aim to contribute to the theoretical understanding of CR by presenting a new model in order to analyze the organization’s interplay with its organizational field and stakeholder network and the construction of CR practices.

Following the above arguments, our key research question and sub-questions are:
How does AstraZeneca Sweden develop Corporate Responsibility practices?

1) What is the role of the company towards its organizational field and stakeholders’ network in the construction of CR practices?

2) What is the role of the Policies, Codes and the Structure of the organization in the CR practices?

1.3 Target Group

The present master thesis project will examine the role of the company towards its organizational field in the construction of CR practices. It will also study the key role of Business policies, codes and organizational structure in the CR practices. Mainly it will aim to contribute to those managing CR practices in AZ Sweden and globally. Secondly, it will aim to contribute to all the stakeholders involved in AZ’s process of construction of CR practices. Furthermore, this thesis will be of interest to all the actors involved in debates over CR. Finally, the present research will provide the academic readers with theoretical understanding about stakeholders’ engagement and the construction of CR practices.

1.4 Delimitation

The present research project is a study of CR practices in the pharmaceutical industry. In particular, our main purpose is to examine AZ Sweden current CR practices. This study will not make any comparison between the different subsidiaries of the mentioned company, but will instead focus on the engagement of AZ Sweden with its local organizational field and stakeholders, how the company answers to the demands and pressures of the external and internal environment and the role of Policies, Codes and the Organizational Structure in the CR practices.

The purpose is to contribute to AZ Sweden CR practices. It is not our intention to develop a case study which is statically generalizable to other contexts. As Yin (2003) argued, case studies do not rely on statistical generalization but on analytical generalization. However, analytical or theoretical generalizations may become stronger by undertaking multiple case studies (Yin, 2003; Fisher, 2007), which due to time and resource limitation, we were unable to undertake.

Time and resource limitation also made our master thesis purpose to narrow. We recognize that with further time and resources, our purpose would have broadened and the understanding of AZ’s CR practices globally, with comparison among the different subsidiaries and their ways of engaging with local stakeholders, would have been addressed. Additionally, the interrelation between CR practices and the Reputation of the company could have been studied.
2 Theoretical Review

In the present Chapter, the main literature related to our field of study is reviewed: Corporate Social Responsibility, Institutional Theory, Stakeholder Theory, Deliberative Democracy and Business Ethics. In the first section, an overview and history of the main concept of our research project, CSR, is presented. Later in this Chapter, we got into the present economic debate pro and against CSR. Thirdly, and related to the arguments presented in the case pro-CSR, we studied the importance of the concept in Scandinavia, particularly in Sweden as our research is focused in the Swedish pharmaceutical environment. In the following section, we got into the main concepts and theories which will be used to answer our research questions: institutional theory and stakeholders model. Our research project aims to understand how the organization answers to different demands from the environment which positively or negatively affects the firm. We argue that both theories are complementing and therefore both of them will contribute to get a deeper understanding of our case. Then, Deliberative Democracy Theory will be reviewed. This theory will give us a deep insight of how the dialogue between the firm and the actors within the organizational field may be held to create win-win results. Furthermore, a short overview of Business Ethics is given. We argue that this concept contributes to our field of study as the foundation for CR strategy and it contributes to the understanding of stakeholders’ engagement and dialogue. Finally, the Analytical Framework is developed in order to be used throughout the research project as a map of the research project.

2.1 The evolution of the notion of Corporate Social Responsibility

Corporate Social Responsibility is part of the central strategy of every global firm and it represents an indicator of the company’s sensitivity and awareness in their understanding of social and environmental issues. In this section we will cover the modern era of CSR evolution which started in the middle of the 20th century and contributed greatly to the business literature.

The post war literature referred more to social responsibility (SR) rather than CSR. The most notable publication of that time, and sometimes marked as the beginning of the modern period for the literature on the subject, was made by Howard R. Bowen (1953) in his book Social Responsibilities of the Businessman (Carroll, 1999). Because of his contribution to the field of social responsibility, Carroll (1999) argues that he should be recognized as the Father of CSR. Bowen pointed out that large companies are a "vital center of power and decision making and that the action of those firms touched the lives of citizens at many points" (Ibid., p. 269). He defined social responsibility as the obligation of businessmen to make those decisions which are desirable for the values of the society (Ibid.).

During the 1960’s decade, significant contributions to the understanding of CSR and attempts to formalize the concept were made. Keith Davis was one of the most prominent writers in this period. Carroll (1999) recognizes him as the Father of CSR designation. Davis emphasized that SR should be seen in the managerial context. He stated that social responsibility goes in hand with social power and business, as the most powerful force, are obliged to assume a role with social responsibility (Montana & Charnov, 2000). According to Davis, society gives the power to business and in turn, business should be open for social representatives and to analyze social problems. Furthermore he viewed a business entity as a person who is responsible for social issues inasmuch as each individual. He pointed out
that being socially responsible makes businesses a good citizen. Davis’ most important contribution is known as the *Iron Law of Responsibility*, which held that businessmen’s social responsibility need to be equal to their social power (Carroll, 1999). During this decade, another significant contribution to the literature on SR was made by Joseph W. McGuire. He argued that firms have not only economic and legal obligations but also other obligations and responsibilities towards society which extend the former obligations (Ibid.). Therefore, he extended the social responsibility understanding beyond the economic and legal frames. Also Clarence C. Walton contributed to SR literature. He stated that there is an intimate relationship between corporations and the society and this should be kept in top managers’ minds as the company pursues its goals (Ibid.).

The 1970s social responsibility literature was characterized by the significant contribution made by Harold Johnson. He presented a variety of social responsibility definitions and analyzed them. He introduced the terms *conventional wisdom, utility maximization* and *lexicographic view of social responsibility* (Carroll, 1999). According to Johnson a “social responsible firm is one whose managerial staff balance a multiplicity of interests” (Ibid., p. 273) not only shareholders’ profits but also considers the employees, suppliers, consumers, local communities and the nation as a whole. He presented social responsibility as long-run profit maximization. Another important contribution to the CSR notion was made by S. Prakash Sethi. He discussed three dimensions of corporate social performances: *social obligation* (which focuses on the legal and economic criteria), *social responsibility* (which goes beyond the social obligation) and *social responsiveness* (which focuses on the adaptation of corporate behavior to social needs). Subsequently, another interesting contribution to the terminology of SR was proposed by Lee Preston and James Post. The authors instead of using the word *social* preferred the word *public* in order to “stress the importance of the public policy process, rather than individual opinion and conscience, as the source of goals and appraisal criteria” (Ibid., p. 280). The term *public responsibility* is intended to specify organization management within the context of public life. Finally, in the end of the 70s, Carroll (1979) proposed a four part definition of CSR embedded in the model of Corporate Social Performance (CSP). The mentioned CSP model consisted on the dimensional integration of responsibility, responsiveness, and social issues. Carroll (1979) stated that “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations” (p. 500). Firstly, the economic component indicates that society expects that business will produce goods and services, sell them, and make profits. Secondly, society expects that business will obey the law, essential to the operation in the market and in the society. Then, the ethical responsibility is given as a set of behavior and social norms which society expects that business will follow. Lastly, discretionary responsibility represents the voluntary actions of the business towards society. Carroll’s contribution and definition is still valid today.

During the 1980s, alternative themes were brought into the field of social responsibility, such as corporate social responsiveness, public policy, business ethics and stakeholder theories (Carroll, 1999). In 1982, Dalton and Cosier introduced a “model depicting a 2x2 matrix, with ‘illegal’ and ‘legal’ on one axis and ‘irresponsible’ and ‘responsible’ on the other axis” (Ibid., p. 285). They argued that there were four ‘faces’ of social responsibility and these were shown in each one of the four cells. They concluded that the *legal-responsibly* cell was the most appropriate CSR strategy to be followed by the companies. A unique definition of CSR was introduced by Rich Strand who adopted concepts of social
responsibility, social responsiveness and social responses connected to an organization environment model (Ibid.). In 1983, Carroll further elaborated his model by reorienting the discretionary component to voluntary or philanthropic responsibility. However, this revised model also consisted of four parts. During the mentioned decade, a series of articles were written showing the relation between CSR and profitability. A clear example of this trend is Drucker who argued that “business ought to ‘convert’ its social responsibilities into business opportunities” (Ibid., p. 286). In the middle of the 80s, Wartick and Cochran introduced their innovatory approach towards corporate social performance. They reformulated Carroll’s (1979) CSP model into principle (social responsibility), policy (social issue) and processes (social responsiveness). They stated that “by integrating social responsibilities, social responsiveness, and social issues, the CSP model provides a valuable framework for overall analyses of business and society” (Wartick and Cochran, 1985, p. 758.). Lastly, in 1987 Edwin M. Epstein combined social responsibility, responsiveness and business ethic. He argued that the three concepts are related and overlapping to each other so he combined social responsiveness and business ethic and created ‘corporate social policy process’ (Carroll, 1999).

In the 1990s, further evolution of CSR concept and related concepts occurred. In 1991, Carroll introduced the CSR Pyramid, conformed by four types of social responsibility (economic, legal, ethical and philanthropic) which constitute CSR and argued that “CSR firm should strive to make profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1999, p. 289). Carroll (2004) further argued that business have to respect global stakeholders. The four levels of the mentioned pyramid are not mutually exclusive but they overlap with each other, in some cases provoking tension. Carroll positioned on the bottom of the pyramid the economic responsibilities of the firm. He stated that global companies are producing goods and services and selling them to achieve profit. Companies which operate under high competitive market conditions approach differently social responsible issues in comparison to those operating in developing countries. This dimension explains how local and regional factors influence firms’ growth and strategy towards CSR practices. Secondly, the legal responsibility dimension seems to be essential to balance the expectations of each entity in order to the importance of legal systems and regional/countries. Thirdly, ethical responsibilities are essential when law is not adequate and when companies are highly aware about their reputation (Ibid.). As stated by Carroll, ethical responsibilities “embrace those activities and practices that are expected or prohibited by society even though they may not be codified into law” (Ibid., p. 117). This responsibility encompasses norms, standards, expectations and believes which expresses moral rights of stakeholders. On the top of the pyramid Carroll positioned philanthropic responsibilities, which “reflect global society’s expectations that business will engage in social activities that are not mandated by law nor generally expected of business in an ethical sense” (Ibid., pp. 117-118). Carroll situated the economic dimension at the bottom of the pyramid because is the foundation from which all the other dimensions rest. According to the author’s argument, firms should fulfill the four dimensions of responsibilities at all times.

As it has been shown above, the concept of CSR has a long history and it is still in a process of evolution. This evolution was showed throughout different decades. In the 1960s, contributions mainly focused on the concept of social responsibility. During the 1970s, contributions led to a more detailed definition of the concept and new terms were introduced: CSP and social responsiveness. A significant contribution was done by Carroll
and his four definitions embedded in the CSP model during the late 70s. In the 1980s, alternative frameworks were developed. During the 1990s, new concepts were incorporated to the literature of social responsibility such as business ethics, corporate citizenship and stakeholder theory. Nowadays, research is still being conducted due to the ongoing changes in businesses and society.

2.2 The Case Pro and Against Corporate Social Responsibility

The success of capitalism in terms of economic growth is well known. However, one of the big challenges that this economic system is facing in the contemporary world is the degree of cultural, environmental and social inequalities. In today’s world, 20 per cent of the population possesses 86 per cent of the Gross National Product and only one country accounts for 23 per cent of the worldwide energy consumption (Blowfield and Murray, 2008). Prosperity is measured in terms of economic growth, through production and the wealth among countries is highly unequal. According to Amartya Sen (1999), Nobel Memorial Prize in Economics in 1998, “we live in a world of unprecedented opulence (...) and yet we also live in a world with remarkable deprivation, destitution and oppression (...). Overcoming these problems is a central part of the exercise of development” (p. xi). Sen (1999) further argued that development can be seen as the process of expansion of freedom. In this scenario, companies are assigned a new role towards society. Society is expecting the private sector to come with solutions to the new social and environmental demands.

The role that markets should play in society and the relation between the market mechanism and freedom has been highly discussed in the economic literature. In contemporary economics, it is argued that markets work to expand wealth and economic opportunities. According to the economic mainstream, the market mechanism works effectively. Opposite to this argument Sen (1999) stated that “the freedom-efficiency of the market mechanism, on the one hand, and the seriousness of freedom-inequality problems, on the other hand, are worth considering simultaneously” (pp. 119-120). The inequality problems result in deprivation, because with the functioning of the market, some interests are fully served while other interests are not and, in some cases, even ‘hurt’. These arguments are in line with the need of balancing the market mechanism with governmental policies and social institutions. Sen (1999) goes further in his argument and states that “even in achieving efficiency, the market mechanism may sometimes be less effective, particularly in what are called ‘public goods’” (p. 128). In economic theory, a public good is a good which is non-rivalled and non-excludable, such as malaria free or tuberculosis free environment. The provision of these types of goods usually should go beyond the private market and should be done with equity.

According to Sen (1999), socially responsible reasoning and the ideas of justice relates to the centrality of individual freedom. As stated by the author, successful markets operate in “solid foundation of institutions (such as effective legal structures that support the rights ensuing from contracts) and behavioral ethics (which makes the negotiated contracts viable without the need for constant litigation to achieve compliance)” (Sen, 1999, p. 262). That is to say, that in order to have successful operations in the exchange economy, implicit and explicit norms are needed. In line with these statements, Blowfield and Murray (2008) argue that “CR is, to some degree, a response to the excesses, rather than the successes, of globalization” (p. 76). There are three main areas of negative consequences of globalization
recognized as: wealth, poverty and equity; global commons, climate change and sustainability and; universalization of norms, values and culture (Blowfield and Murray, 2008). Other authors such as Sahlin-Andersson (2006) support this and argue that CR is an outcome of the criticism that “corporations are exploiting the world” (p. 596). Vogel (2006) defines CSR or business virtue as “practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do” (p. 2). In line with these arguments, Druker argued that managers should consider the impact of every business policy upon society. He stated that the “organization’s first responsibility to society is making a profit; he felt it was also most important that management consider the impact of every business policy and action upon society” (Joyner and Payne, p. 302). Following this argument, Selznick stated that organizations are now public in nature and therefore, they need to deal with issues which affect the welfare of the entire society (Ibid.).

However, there is still no consensus about the role of CSR. The case against CSR, whose most famous author is Milton Friedman (1970), Nobel Memorial Prize in Economics 1976, argues that the social responsibility of a publicly owned company is to maximize the share owners’ wealth in markets. The author’s main argument is that managers are stockholder’s agents and therefore, they bear a direct fiduciary responsibility to them. He further argues that only people have responsibilities, not business and that the social responsibility of companies is to use its resources to engage in profitable activities. Any further action done by the management, apart from maximization of wealth, is equivalent to ‘theft’ of wealth of the primary stakeholders (act of appropriation originated in discretionary altruism). In line with this argument, Wolf stated that CSR can “distort the market by deflecting business from its primary role of profit generation” (Vogel, 2006, p. 2). According to Laffer, “what corporate social responsibility really means, in my view, is irresponsibility. The modern corporation is meant to be a vehicle to create wealth for its shareholders, and that is what CEOs must always keep in mind” (Ibid., p. 12). All these arguments are essentially libertarian. They argue that the ‘business of business is business’ and that CSR may reduce market competitiveness.

The case against CSR practices is grounded in the mainstream of economic theory. Since Smith’s Wealth of Nations (1776) whose famous argument was that the invisible hand of the market mechanism will lead to social welfare.

As shown in the above discussion, on balance, the case pro CSR outweighs the case against it. The world is evolving towards more responsible business practices and nowadays, CSR is the cornerstone of the firm’s strategy.

2.3 CSR in Scandinavia

The case pro CSR and the contributions of Sen’s arguments regarding social welfare have worked as foundation and base for social policy (Arrow, 1999). Scandinavian countries are characterized by the welfare model and seen in the forefront of CSR Practices.

As stated by Rikke Netterstrom, advisor on CSR at Denmark’s Novozymes, “There is a long history of stakeholder engagement in Scandinavia” (McCallin, Webb, 2004). These initiatives are a way to bridge the organizational strategies and expectations with stakeholder ones.

Scandinavian companies have a long history of integrating social responsibility and environmental issues into corporate strategies. Since 1980’s, Scandinavian countries has been exposed to environmental regulations and, therefore, introduced them into their business strategies. As discussed by Morsing et al. (2007), Scandinavian managers have
claimed that “ethics and social responsibilities always have been a way of doing business” (p. 87, in May et. al).

In a recent research of CSR in Scandinavian countries, it has been shown that their cultures, politics and societal backgrounds play a key role. Denmark, Sweden and Norway are characterized for having strong consensualist and corporatist, extensive social and environmental public policies and strong political cultures in terms of post-materialist, rationalist, participatory values (Gjølberg, 2008). As stated by Morsing et al. (2007), some empirical studies show that the three countries give value to collectivism, power sharing, decision making in a participative mode. These characteristics encouraged a business culture for balancing business and societal interests in a long-term perspective, as well as a management style based on consensus building and participation (Grenness, 2003).

Following the arguments stated above, even if CSR is seen nowadays as a universal trend, research has shown that CSR is applied in different ways according to different social, economic, cultural, legal and political contexts, that is, CSR is influenced by national frameworks (Matten and Moon, 2004). Midttun, Gautesen and Gjølberg (2006) in their book titled *Corporate Social Responsibility Across Europe*, stated that CSR patterns are influenced by domestic political-economic institutions established decades ago. DiMaggio and Powell (1991) also argued about the importance of local context and the interpretations of them into local management. National frameworks and the interplay between the companies and the institutional environment, influence the way in which companies define and develop their corporate strategies and competitive advantages (Gjølberg, 2008).

Research has identified ‘trust’ as a key driver in CSR issues, but this element may not seem to be the push factor in the Scandinavian case. Even if some Scandinavian companies have been recently under some corporate scandals, this did not provoke corporate distrust towards private business among the population. According to a Downing Street Strategy Unit survey where people were asked: “Generally speaking, can others be trusted?”, the Scandinavian were found to be the most trusting people. Around 70% of the sample answered that they trust others, compared to only 30% in the USA, Britain and France (Habisch et al., 2005, p. 25).

2.3.1 CSR in Sweden

Swedish socially responsible business started in the early 20th century when the country went through a rapid industrialization process and CSR practices were seen as an obligation towards society. By 1930s, strong ties among trade unions, governments and corporations were established. By the end of the 1950s, as stated by Morsing et al. (2007), a new macroeconomic model was established. During these years, three key outcomes could be mentioned. Firstly, in 1938 the Saltsjöbaden Accord between corporations and unions. Secondly, the Rehn-Meidner Model of Economic Management was introduced which enabled governments and unions to have an influence on business on how they invested their profits. Thirdly, during these years, Sweden developed their protection toward workers, improving radically, the working life and conditions. During the 1980s, environmental issues became increasingly important in the governmental agenda and new business practices were developed to give response to new demands, such as, life cycle analysis or environmental accounting. During the 1990s, global responsibility, corporate ethics and governance strategies gained significance. Swedish corporations operate in different countries and therefore, debates on how business practices affect developing
countries gained importance. Regarding corporate governance strategies, the government plays an important role with its Swedish Code of Corporate Governance. In relation with identity politics, as argued by Morsing et al. (2007), Sweden is recognized as a leader in ethnicity practices. Many Swedish corporations have been progressive in setting up programs for Non-Swedes and gender equality. In 2002, Global Responsibility was launched within the Ministry of Foreign Affairs. In January of 2003, the Instrument of Government states that the public sector is to promote sustainable development for current and future generations (Regeringskansliet, 2005/06). The vision of National Strategy for Sustainable Development governmental office is to bring “solidarity and justice in every country, among countries and among generations” (Regeringskansliet Communication, 2005/06), focusing on four specific issues: building sustainable communities, encouraging good health on equal terms, meeting the demographic challenge, and encouraging sustainable growth.

In 2007, AccountAbility (2007) recognized Sweden as the world leader in CSR practices. The mentioned organization develops an Index called Responsible Competitiveness Index based on different indicators that show the degree of social responsibility among companies in 108 economies. It is recognized as the largest systematic assessment of responsible business practices.

### 2.4 Institutional Theory and Stakeholders Model

Nowadays organizations are dominant institutions which play a fundamental role in society and, therefore, they receive an increasing pressure to respond to the demands of the surrounding environment.

The surrounding environment, the pressures on business and how the company responds was studied by the institutional and stakeholders theory. This section will aim to give an overview of them. We argue that both theories are contributing to each other in the understanding of how firms relate to the external and internal (within the organization) pressures they face.

Firstly, the institutional theory will be presented as this theory gives a broader conceptualization of the environment and how organizations engage in CR practices. Secondly, stakeholders’ theory will be reviewed in its concept evolution and its importance in today's CR practices.

#### 2.4.1 Institutional Theory

The study of the institutions is one of the most enduring studies within the social sciences (Scott, 1994). The present research project focuses on the understanding of the role of the organization towards its institutional field and the construction of CR practices which will be addressed based upon institutional theory. The literature on the mentioned theory focuses on how institutions constrain and enable behavior and state that institutions beyond the market are often necessary to ensure that corporations are responsible to the interests of social actors beside themselves (Campbell, 2006).

The new institutional theory emphasizes the key role of social and cultural pressures imposed on organizations, which influences their practices and structures. This approach focuses on how organizations are embedded in institutional environments and emphasize the fact that organizations require social justification and legitimacy in order to survive (Windell, 2006). As stated by Meyer and Rowan (1977), the societal landscape provides the “building blocks for organizations” (p. 345). Institutional theory is built on the premise that
environment is not external to the organization but it enters the organization; they interpret (Westney, p. 49). Therefore, the level of analysis is not the organization itself but the organizational field, formed by “those organizations that, in the aggregate, constitute a recognized area of institutional life” (Di Maggio and Powell, 1983, p. 148). As stated by Di Maggio and Powell, the virtue of this unit of analysis is that it directs the attention to the totality of relevant actors who, through their actions, they create, recreate and change the institutions in the organizational field (Schwartz, 2006).

As discussed above, the new institutional theory stands on the premise that organizations are social as well as technical phenomena, and their structures and processes are not shaped purely by technical rationality (Westney, 2005). As stated by Rivera et. al (2009), the mentioned theory challenges the notion of business as profit-seeking and emphasizes the importance of achieving social legitimacy for long term business survival and competitiveness (Meyer and Rowan 1977; Powell and DiMaggio 1991; Scott 1994). At the core of this theory stands legitimacy of businesses which based on the actions which are “desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574).

The theory focuses on the social context and the isomorphism within the institutional environment (Zucker, 1987, p. 443), where organizations adopt patterns that are externally defined as appropriate to their environments, and that are reinforced by their interactions with other organizations (Westney, 2005). Institutional isomorphism, as stated by Moss Kanter (1972), is “the forces pressing communities towards accommodation with the outside world” (p. 152). DiMaggio and Powell (1991) defined the concept as a “useful tool for understanding the politics and ceremony that pervade much modern organizational life” (p. 150). The authors identified three mechanisms through which institutional isomorphism may occur: coercive isomorphism, which stems from pressures exerted by organizations upon which they are dependant or by cultural expectations; mimetic isomorphism, when as a result of uncertainty organizations model themselves on other organizations; and normative isomorphism, stems from professionalization. There is additionally a forth mechanism called institutional automorphism, which was mentioned by Schwartz (2006) in her article Environmental Strategies as Automorphic Patterns of Behavior. This isomorphism occurs when organizations imitate own past strategies. Automorphism mechanism is explained as a process by which “companies imitate themselves, employing strategies similar to those they have previously used when tackling other changes in their organization fields” (Schwartz, 2006, p. 1).

DiMaggio and Powel (1983) suggested that organizations tend to become more homogenous in both process and structure over the time in every field. The mentioned authors studied how homogenization of the organizational forms and practices emerge with time. Their main argument is that “there is an inexorable push toward homogenization” (DiMaggio and Powel, 1983, p. 148). The concept used to describe this process of homogenization is isomorphism. Hawley also described isomorphism as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (Ibid., p. 149).

As mentioned before, the demands from the outside world is what causes the organization to respond and act. The organizational field pressures may lead to the adoption of new CR practices. Companies receive pressure from different agents such as the government. This stakeholder influences the companies through its political and regulatory pressures, that is,
through its coercive power. In addition to this actor, companies may face customer and competitive pressures. In this sense, firms may facilitate coercive and mimetic isomorphism, especially when multinational companies diffuse its practices across national borders (to its subsidiaries or other organizations in the host country) or when firms adopt successful practices that other leading firms had adopted. Also, companies respond to customer requirements. Community and Environmental Interest groups impose coercive pressure on companies which the organization responds to in order to improve or maintain their relations with their communities. Market concentration and industry pressure may also affect the rate of diffusion of managerial practices. As discussed by Delmas and Toffel (2003), the visibility of leading firms may also affect the level of institutional pressure. It has been studied that the more visibility the company has, the more pressure it receives (Sharma and Starik, 2004).

The main limitation during the analyses of new institutional theory is the difficulty which rises when drawing the boundaries of the organizational field. Another limitation that we found is that even if institutional isomorphic pressures are present, there is not a clear link between the respond to such demands and an increase in homogenization as DiMaggio and Powell argued.

2.4.2 Stakeholder Concept Evolution

The stakeholder theory is an important notion in recent business, economic and social texts (Freeman, 1984). As argued before, this theory may be seen as complementary to the institutional theory in the sense that stakeholders are an essential part of the organizational field affecting the organization.

During the 1980s and 1990s, when the concept of social responsibility was redefined, alternative concepts and theories arose such as stakeholders theory, CSP, business ethics, corporate citizenship (Carroll, 1999, p.284-288).

However, as stated by Freeman (1984), the stakeholder concept first appeared in 1963 in an internal memorandum at the Stanford Researches Institute. In the mentioned document, the concept stakeholders’ was used to generalize the stockholders’ notion and was defined as “those groups without whose support the organization would cease to exist” (Freeman, 1984, pp.31-32). However, Preston and Sapienza (1990) traced the origin of stakeholders’ theory and concept back to the 1930s.

The greatest contribution to the stakeholder literature was made by Edward Freeman (1984) in his book Strategic Management: A Stakeholder Approach. The mentioned author exhaustively explained the term, history and complexity of stakeholders’ management. As stated by Egels (2005) “Freeman’s seminar book built on the earlier works during the century and managed to present stakeholder theory in a way that attracted numerous researchers to continue to explore the concept” (p. 7). Since the publication of Freeman’s book “the idea that corporations have stakeholders has now become commonplace in the managerial literature, both academic and professional” (Donaldson and Preston, 1995, p.65).

According to Freeman (1984), stakeholder is “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (p. 25). The author listed different categories of stakeholders: governments, local community organizations, owners, consumer advocates, customers, competitors, media, employees, Special Interest Groups, environmentalists, suppliers (Ibid.). All these groups should be taken into account by the
companies as those who are affected or affect company’s accomplishment. Freeman (1984) argued the importance of the construction of appropriate strategies and processes towards each of the groups as the core for company’s success. Freeman (1984) called this new approach the ‘stakeholder approach’ (p. 27).

Freeman was the first one to give a broad definition of stakeholder groups, however there were other authors also writing on this topic. Thomas M. Jones was interested on the corporate “obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract” (Carroll, 1999, p. 284). He stated that the obligation is extended to “other societal groups such as customers, employees, suppliers, and neighboring communities” (Ibid.).

One significant contribution made to Freeman’s theory was done by Julia Roloff (2008). In the author’s article Learning from Multi-Stakeholder Networks: Issue-Focused Stakeholder Management, she distinguished three main actors in the multi-stakeholder network: actors from civil society, business and governmental or supranational institutions (Roloff, 2008). She argued with Freeman that it is not the corporation that should be put in the center of attention but the multi-stakeholder network. Roloff (2008) proposed a new definition of stakeholders as “any group or individual who can affect or is affected by the approach to the issue addressed by the network” (p. 238). In contrast with the definition relying in organization-focus stakeholder management, Roloff (2008) argued that the mode of engagement in the multi-stakeholder network is deliberation “which facilitates learning and collaboration and the participation is voluntary” (p. 243). The multi-stakeholder network has been interpreted by social scientists as a base for deliberative democracy (Roloff, 2008).

Egels (2005) stated that the stakeholder theory was constructed as the supportive tool to examine ethic and business. Phillips (2003), with a similar argument, stated that stakeholder theory is the most popular framework for discussing and understanding business ethic. Nevertheless the theory extends beyond the primary assumptions and is finding wider applications in the other fields.

2.4.3 Stakeholder Engagement

CR is viewed as the result of the continuous interplay between the corporation and the social actors, known as the stakeholders. Freeman (1984) argued that everyone affected by a decision should have input in that decision. According to Mitchell et. al (1997) to be identified as a stakeholder, one must have either power, legitimacy or urgency. Legitimate agents are those viewed as having the rightful claims to organizational actions and resources. Powerful agents are influential agents that have access to critical resources. Urgent agents are those who deem to have concerns of immediate nature. Each stakeholder differs according to these attributes and the attributes each agent has constitute a dynamic process because their claims could change over time in power, legitimacy and urgency. In this sense, companies should observe and be able to adapt to the stakeholders’ changes (Dentchev and Heene, 2004). Also, organizations deal with the dynamism regarding the issues they need to address which tend to change over time and they may be different among industries and geographical regions and cultures. Another issue that makes stakeholder management complex is that different parties may have conflicting interests or may diverge in the interpretations of the information. A set of particular stakeholders may generate different and conflicting expectations of corporate action (Freeman, 1984). Another complexity may arise if many members of one group of stakeholders are also
members in another group. O’Riordan and Fairbrass stated that in order to develop an effective stakeholder dialogue, understanding the element ‘stakeholder’ is essential. Firms should prioritize them (according to the interplay between the three different attributes mentioned above) and understand their expectations which may be dependant on some company factors such as the size of the organization, the level of success of the firm (in terms of profit), the type of industry, the business culture (O’Riordan and Fairbrass, pp. 753-754).

Organizations interact in different ways with their stakeholders. Freeman identified four ways. Firstly, companies may ignore their stakeholders. This inaction may be a form of denial or may be a result of a failure in the organizational processes (such as environmental scanning). Another approach identified by the author is the Public Relations Approach (PR). Most large organizations have today a department whose task is to communicate with the ‘public’. The common thread of the PR approach is that any communication is one-way. PR people ‘tell the story’ usually through catchy campaigns. The focus of such campaigns is image. However, it does not automatically follow that a firm with ‘good image’ is better in meeting stakeholders’ needs. The third approach identified by the author is through implicit negotiation. This occurs when the firm has tried to take stakeholders into account before a strategy was implemented. Finally, the explicit negotiation may occur when organizations which have high stakeholder management capability use explicit negotiation processes with their stakeholders. Effective explicit negotiation requires understanding. Communication processes with stakeholders must be two way in order to achieve meaningful results. (Freeman, pp. 164-167)

Stakeholders are a key element in the organization’s environment which can positively or negatively affect the firm (O’Riordan and Fairbrass, p. 747). These effects may be economic, technological, political social and/or managerial. The first one is related to the profitability of the company. The second effect may occur when a particular group or individual may enable or prevent a firm from using its core technologies or from developing new technology. The third effect may occur when a particular stakeholder alters the position of the firm in society by changing the opinion of the public. The social effects usually translate into political effects because the stakeholder’s actions often involve the political process in order to achieve some social purpose. Finally, stakeholders may have managerial effects by forcing the organization to change its management system, practices or processes, even its style and values (Freeman, pp. 92-93).

Freeman argues that it is important also to understand the social context of the organization (Freeman, p. 99). The context, as argued by O’Riordan and Fairbrass, is as a key determinant in Stakeholders Dialogue Practices. Organizations will formulate the firm’s strategy based on the proportions of stakeholders, values and social issues which are and that will lead to different generic strategies (Ibid., pp. 101-7):

1) Specific stakeholder strategy: The strategy will consist on the maximization of the benefits of one or a small set of stakeholders. This strategy may be adopted if the values of the managers are closely aligned with the values of the small group of stakeholders, and if there is little relevant social change.

2) Stockholder strategy: The strategy will tend to maximize the benefit of the stockholders and it may be seen as a special case of the Specific Stakeholder Strategy. It will occur when managers believe that they have a ‘fiduciary obligation’ towards the stockholders. Taken its
logic into an extreme, it may involve actions which are immoral or unethical. Therefore, this strategy may occur if the actions of a firm are perceived as mainly economic, and the values of the management team are oriented towards satisfying a fiduciary obligation to the owners, and if the social issues are perceived to be economic growth and prosperity.

3) Utilitarian Strategy: The strategy will consist on the maximization of the benefits of all stakeholders (greatest good for the greatest number), maximizing the average welfare level of all the society. This strategy may be adopted if the actions of a firm are perceived by its managers to have a wide range of effects on the stakeholders, and if the managers have utilitarian values that they should maximize the social welfare as far as possible and if there is a range of social issues that affect the firm.

4) Rawlsian Strategy: The strategy will act to raise the level of the worst-off stakeholder. Rawls (1971) argued that social institutions are just if they assure individual liberties that are compatible with “a like liberty for all”. He argued that inequalities in the distribution of goods and services in a society are justified only if the inequalities raise the level of the least well-off social groups. An application of Rawls’ theory would possibly state that the firm will seek to raise the level of its least well-off stakeholder and to insure that its employment and promotion practices encourage equal opportunity to all groups of society. This strategy may be adopted if the action of a firm is perceived to have wide range of effects on stakeholders of different social positions, and if the managerial values are oriented towards freedom and equality of opportunities and if the social issues which affect the firm are concerned with freedom and equality of opportunity.

5) Social Harmony Strategy: This strategy will act to maintain or create social harmony and to gain the consensus of the society. The emphasis on social harmony comes from the basic values of communitarianism. If conflict arises with stakeholders, major efforts to resolve the conflict with mutual understanding will be undertaken. This strategy may be adopted when the action of a firm is perceived to have a wide ranging effects on society, and if the values of the managers are oriented towards communitarianism and if social issues concern the promotion of community interest, then the firm will seek to minimize the friction between the firm and the local community and to identify the interests of the firm with the community.

An important issue when implementing a strategic program for stakeholders is how to assure the commitment from the organizational units involved and the managers responsible for carrying out the program (Freeman, p. 162). Freeman identifies three concepts that are important in order to gain commitment. Firstly, he states that participation is important because the more participation in the creation of strategic programs, the more likely the commitment to implementing those programs (Ibid.). Secondly, he identifies incentives and he quotes Kerr (1976) claim that it is “folly to hope for A and to reward B”. Finally, he states that shared values are crucial to gain commitment (Ibid., p. 163)

Once the strategy is decided and implemented, another task of the top management is to constantly evaluate and monitor the progress with respect to the strategies that have been developed. Controlling a strategy is equally important as formulating and implementing strategy (Freeman, pp. 171-177).

The first issue in the agenda of the managers is to face the reality of the problem: change is needed. The second item in the agenda is to construct a stakeholder map of the firm. The third item on the agenda is to construct a roadmap of how the organization is managing
current stakeholders’ relationships. The final item in the agenda is for the managers to take on an issue, or set of issues that are important yet manageable, and demonstrate the ability to add value. It is only by adding value that credibility can be established. Following O’Riordan and Fairbrass framework, this element may be identified as the ‘management response’, which incorporates the idea of strategic planning and action regarding the stakeholders’ dialogue (p. 754).

One of the main limitations in stakeholders’ theory is that it assumes that the corporation is in the centre of attention. However, in practice this is not always the case. Nowadays multi-stakeholders approach is increasingly becoming more important. This approach views companies and other participants as partly controlling the whole process and it is argued that this strategy enables corporations to address more complex and challenging issues in cooperation with stakeholders.

2.5 Deliberative Democracy Theory

The contributions made by deliberative democracy started in the political arena and is as old as democracy itself. Antecedents can be found in the polis of ancient Greece, in the fifth century B.C. (Elster, 1998; Dryzek, 2002). The concept includes on the one hand, the democratic notion which establishes that it is a process of collective decision making. On the other hand, the deliberative notion in the sense that decision making is done through argumentation between impartial and rational parties. Today, the increasing social interest in the corporation’s governance, its policies and actions is leading towards the utilization of this concept in the business field. Deliberative based engagement methods is used to refer to the formal process of including all the members of the public in the decision making process and to facilitate the collection or integration of their views, to a greater or lesser extent (Cass, 2006, p. 3). This model proposes that policy-making is qualitatively improved by the participation of members of the public and is based on the principle that all the agents share the power and operate in an open and equal way, sharing the decision making process. Therefore, this strategy is highly promoted to increase the engagement with the firm’s stakeholders. As argued by van de Kerkhof, the involvement of different actors in the policy-making process can help to mobilize the expertise of all the stakeholders, can improve the awareness and support for specific policy measures, can enhance legitimacy in the decision taken, can contribute to build networks and relationships (2006, pp. 279-280).

Deliberative democracy is described as “decision making by discussion among free and equal citizens” (Elster, 1998, p. 1). As stated by Roloff, a prerequisite for the success of the deliberative model is honest and open communication among the stakeholders (or participants) in order to develop trust as a ground for cooperation (2008, p. 239). The main assumption of the theory is that if functions to “address the common human need to coordinate action and resolve conflict between individuals” (Mulhberger, 2001, p. 9). Deliberative theorists argue that lack of coordination and conflict may be resolved by discussion (Ibid.). As stated by Elster, deliberative theory rests on argumentation (p. 9).

The term was coined by Joseph Bessette (1980) in his book Deliberative Democracy: The Majority Principle in Republican Government where he associated the term Deliberative Democracy to political science, in the context of United States constitution as a special set of principles to assure effective public deliberation, especially in the congress (Dryzek, p. 12). Guttman and Thompson (1996), went further and argue that political issues that feature moral disagreement should be treated by deliberation (Ibid., p. 17).
Habermas (1975; 1984; 1990) is maybe the most cited and influential author in the theory of deliberation. He establishes the conditions for an ideal speech in a communication between the decision makers and the general public. This ideal situation meets the following criteria (Casullo, 2007, p. 36):

- The process of deliberation takes place in a argumentative form
- The deliberations are public and inclusive
- The deliberations are free of external coercion
- The deliberations are free of internal coercion
- Deliberations aim at rationally motivated agreement
- Political deliberations should be regulated in equal interest of all
- Political deliberations include the interpretation of needs and wants and the change of political attitudes and preferences. That is, the consensus of the arguments is by no means based only on a value consensus previously developed in shared traditions and forms of life

According to the mentioned author, this situation “will achieve a twin goal of widening democratic practice, and pursuing a common or public ‘good’” (Cass, 2006, p. 8).

As argued by Innes and Booher (2005), authentic dialogue, achieved if each speaker legitimately represents the interest for which he/she claims to speak; each party speaks sincerely and make statements which are accurate and comprehensible to others; and (Habermas, 1981), can be enough to create agreements and new approaches. However, without diversity and interdependence among stakeholders, the significant benefits of collaborative dialogue cannot be achieved (2005, pp. 6-7). The mentioned authors argue that Stakeholders must be diverse to find more creative solutions and actions, which can respond to a wide set of competing interests. They must also be interdependent to achieve results that will allow them collectively to create an adaptive learning system, more robust and effective than a system lacking this recognized interdependence. That is, the stakeholders must know that they cannot meet their interests working alone and that they share with others a common problem (Innes and Booher, 2005, p. 7).

Innes and Booher (2005) identify four outcomes of an authentic dialogue among diverse and interdependent parties. The first one is reciprocity in the sense that in the collaborative dialogue the parties involved build a reciprocal relationship. The second result is relationships building among stakeholders that do not ordinarily communicate with each other. Also, another outcome is learning about the stakeholders’ interest, problems, and possible strategies. Finally, another outcome of the deliberative dialogue among diverse and interdependent stakeholders is the creativity in the problem solving, which is a result of the brainstorming during the collaborative dialogue (Ibid., pp. 10-14). In line with these outcomes, Stagl (2006) identifies cognitive, mutual understanding trust and respect in group-building, and learning about societal needs and the institutional changes required to satisfy them as results of the deliberative process (pp. 66-68).

However, in practice, this model has some limitations regarding its main assumptions. In practice, different actors arrive to the stakeholder dialogue with different information, power and better sources of discursive practices than others and in this sense they will have an advantage over the other actors and therefore, there will be no win-to-win result and the
inequalities will persist. Another limitation we found is that it is difficult to observe how the dialogue between the different stakeholders takes place. Finally, it is often argued that face-to-face deliberations with stakeholders are time-consuming, costly and effort intensive.

2.6 Business Ethics

Ethic is a system of values, principles or practices and it provides a definition of what is right and what is wrong. Business is defined as exchange of goods and services for one another or for money (Joyner and Payne, 2002). The business ethics or ethic in the business is a trend which, as indicated in the terminology, refers to how business transactions are done aligned to the ethic behavior.

The first traces of business ethic can be found in the initial stages of commercial exchange. (De George, 2006). But it was in the 1970s that this term started to be utilized in the United States. Created in the academic field, business ethics quickly found an application in practice as the first corporate scandals appeared, such as the illegal donation to Nixon’s presidential election or the high rate of bribery in American companies (Epstein and Hanson, 2006). Since that moment until the current days, the general public concern is focused on the ethic of the corporations.

Some authors consider business ethics as a branch of CSR whereas other authors see CSR as a subset of business ethics (Blowfield and Murry, 2008). Business ethics was also seen as a business movement towards company structure in the form of ethic codes, ethic officers, ethic training, ethical culture or ethic commitment. As stated in Stodder (2008) “talk about ethic, values, integrity and responsibility is not only becoming acceptable in the business community, it’s practically required” (p. 118).

2.7 Analytical Framework

The Analytical Framework shown below exposes how all the concepts and theories are put together and interrelate with each other, like in a jigsaw puzzle (Fisher, 2007). The present Figure is cause and effect and may be seen as bidirectional.

On the left side of the diagram, we show the organizational field which affect the firm and therefore, the management response. On the one hand, the environment is formed by stakeholders. On the other hand and also as part of the environment, the context and events are shown. This group is composed by external issues such as political, economic, social, technological, legal and environmental climate, competitors’ activities or events that may be triggered by a specific incident in society such as development or deletion of product lines or process due to the approval or disapproval of society, the outbreak of a disease (O’Riordan and Fairbrass, 2008). As these two concepts may overlap with each other, they were located in the same environment.

In the middle of the diagram, the management response is presented. Business and societies are not separable but mutually interdependent. Business cannot exist without society and societies will not survive without business. In this sense, the main task of managers is to respond to the demands of the environment, either arising from the stakeholders or pressure given by the organization’s social context or a particular event. Freeman (1984) classified the effects that these demands have on the firm into five groups: economic, technological, political social and/or managerial. The management awareness and response to society’s demand for a more ethical and responsible business practice will lead to the creation of the Company’s CR practice thorough a deliberative dialogue among the actors in
the organizational field (the company and the stakeholders), shown in the right side of the diagram. An important issue is that the process of developing the company’s CR practice is an ongoing and dynamic process, which suffers from several feedback loops. This is clearly shown with the cause and effect arrows and its bidirectional shape, which gives the idea of circularity and dynamism. The arrows represent CR Pressures and CR Strategy, which stand on ethical foundations. The CR strategy is conformed by the company’s code of conduct, the policies and the organizational structure supporting CR practices. We also argue that in order to get a better and deeper understanding of the present model is important to understand historically the evolution of the main concepts used: CR and Stakeholders.

Figure 1: Analytical Framework. Source: Authors.
3 Research Methodology

In this Chapter, the outline of the research strategy, purpose and approach will be presented. Additionally, the data collection method and analysis will be described. Finally the trustworthiness of the research and the ethical process of knowledge production will be explained.

3.1 Case Study Research Strategy

A case study is a research strategy which aims on understanding the dynamics present within single settings (Eisenhardt, 1989).

The most exhaustive presentation of case study research was done by Robert Yin (2003) in his book *Case Study Research: Design and Method*. Following the author’s statement:

“a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p.13).

A case study gives an in depth overview of a particular situation. It can involve single or multiple cases as well as numerous analysis levels (Yin, 2003). As argued by Schramm, “the essence of a case study (…) is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result” (Yin, 2003, p. 12).

In the present research project we will get deeper into AZ Sweden and study why and how the company develops its local CR practices. Therefore, the research strategy will consist of a single case study as we are centered in one single setting: AZ Sweden and how and why research questions are mainly being addressed.

3.2 Research Purpose and Approach

In our case study, we chose to use the three research purposes: exploratory, descriptive and explanatory. Our research was explorative during the starting phase because we began by exploring our main field of study, CR. We tried not to anticipate what we were going to find. The exploratory process was done by literature review and discussions with our supervisor. Secondly, we used a descriptive research purpose, in the sense that the stated research questions guiding our project are formulated in a descriptive manner over a specific problem area. As stated by Fisher (2007) “the value of a descriptive case study lies in its identification of issues” (p. 188). Furthermore, the present project derives into explanatory when we start in the process of analyzing the findings and drawing the conclusions.

The research project may have different approaches depending on the degree to which the researcher is aware about the theory during the early stages of the research project (Saunders et al., 2003) Inductive research can be defined as the “logical process of establishing a general prepositions on the basis of observation of a particular fact” (Zigmund, 2000, p. 43). The starting point is empirical observations, which is followed by building new models which will in turn be new theories. On the other hand, Deductive research approach is defined as the “logical process of deriving a conclusion from a known premise or something known to be true” (Ibid.). Therefore, in this case the starting point is an already existing theory. Finally, some authors argued that research projects, beyond its initial stage, are iterative loops between inductive and deductive. This phenomenon is called abductive and it is shown in Figure 3. During the present research project, this approach has been used
as we argue that the empirical findings and the theory were used together in order to reinterpret one another and therefore, the research process went through paths of using the deductive, inductive and abductive approach.

The Figure shows the research process characterized by the three different research approaches mentioned above: deductive, inductive and abductive. These approaches are related to the stages in the research process: starting point, aim and the point in the time at which hypothesis/propositions (H/P) are developed and whether they are further applied.

The argumentation line of the hypothetical-deductive follows the path from the general law to the specific case which means that theory testing is taking place in this approach. Deductive research develops H/P before testing and generalizing results. Therefore, the deductive process starts with prior theoretical knowledge, it builds a theoretical framework, it suggest H/P and test them respectively and ends up with new knowledge (Spens and Kovacs, 2005).

In the inductive process, the argumentation moves from empirical observation (facts) to the theory and the aim of the approach is to developing not testing. This research approach aims at developing theory (Spens and Kovacs, 2005).

The abductive research process may have two different points: puzzling theory that cannot be explained by using established theory or application of alternative theory to explain the phenomena. In both cases, the process starts with real-life observations. As tested by Kovacs and Spens (2005), the common to studies based on abductive research is the ongoing negotiation between the theory and empirical study. In the present project, the research line is following this argumentation. The research project matches this approach in the sense that the literature is exploring and we gathered empirical data through interviews which in turn resulted in exploring the literature again. The describe theories were puzzling and led to the development of a new theoretical model. As mentioned before, the present research project will focus on qualitative data in order to get a better and deeper understanding of the problem statement.

This research approach discussed above is linked to the ‘hermeneutic tradition’ process which is characterized by the hermeneutic spiral. This spiral reflects the idea of the iterative process involved during the research, going from understanding to preunderstanding to understanding. Each stage of the research provides the researcher with knowledge, which is
the preunderstanding taken to the following stage (Gummesson, 2000). Each stage in the process is influenced by conscious and unconscious intentionality (Ibid.). This processual perspective is typical in an interpretive research (Fisher, 2007).

We argue that we brought interpretative aspects in the research process as well as intellectual preunderstanding on the field of study: CR. In the present project, we aimed to explain how AZ develops its CR practice. In order to do so, we focused on different stakeholders groups within the organizational field of AZ and how they pressure the organization towards its CR practices and the role of the organization’s CR strategy in the CR Practice. We argue that the link between understanding and action is not direct but mediated through our thinking and values (Fisher, 2007).

3.3 Data Collection Method

In the data collection process we will use different sources of evidence. Primary data will be gathered through interviews and they will represent the main source of information in the present case study. The advantage of this method is that the data is used for the first time in contrast to secondary data which is being re-used over the time. However, interviews may be time consuming and it may be difficult to get access. As stated by Ghauri and Gronhaung (2005), researches which are based on primary data are highly dependent on the willingness and ability of the respondents. Also, this method may suffer from response bias and reflexivity in the sense that the interviewee may give the answer that the interviewer wants to hear (Yin, 2003). In the present project, secondary data will also be used and will be collected through relevant literature, academic articles, journals and newspapers. As argued by Ghauri and Gronhaung (2005), secondary data is not only useful to find information to solve the research problem, but also to better understand and explain the research problem. The main advantage of secondary data is that is time and money saving. However, the main disadvantage is that it may not address fully the research problem under research. On Table 1 we expose the sources used:

<table>
<thead>
<tr>
<th>DATA COLLECTION</th>
<th>Primary Sources</th>
<th>Secondary Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>Ms. Åsa Sundelin Manager Apotek Västerås - Ms. Yvonne Näsström AZ Director of CR and Reputation</td>
<td>MDH databases Elin and ABI Inform, Google Scholar</td>
</tr>
<tr>
<td>Academic Articles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WebPages</td>
<td>AZ Homepage, Stakeholders webpages (Government departments, patient groups, etc.)</td>
<td>The Journal of Behavioral Economic, Journal of Business Ethics, The Academy of Management Review</td>
</tr>
<tr>
<td>Journals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspapers</td>
<td></td>
<td>Times Online</td>
</tr>
<tr>
<td>Documents</td>
<td>Code of Conduct, Global Policy, Annual Report</td>
<td>MDH Library, Google Books</td>
</tr>
<tr>
<td>Books</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Data Collection. Source: Authors.

Finally, as Yin (2003) argued, primary and secondary data and the different sources of evidence within each of the mentioned groups are complementary and it allows the
researcher to address a broader range of historical, attitudinal, and behavioral issues. As mentioned by the author, the most important advantage of using multiple sources of evidence is the data triangulation process following a corroboratory mode. In this sense, the information presented by the case study will aim to be supported by more than one source of evidence (Ibid.).

In the present research project we used interviews to support our secondary data information, as it gives additional information about attitudes and emotions of the organization’s employees and/or environment, helpful in the analysis section (Löwstedt and Stjernberg, 2006). We conducted interviews, and therefore, gathered primary data from two different sources. Firstly, we interviewed the manager of Apoteket AB in Västerås – Ms. Åsa Sundelin (Appendix I). The interview took place in the manager’s office, on May 8th in Västerås. The aim of the interview was to gather complementary information and therefore, we designed a short semi-structured interview. The second interview was conducted with Ms. Yvonne Näsström, the CR and Reputation Director of AZ Sweden (Appendix II). The interview was held on May 12th in the Swedish headquarter of the company in Södertälje. Ms Näsström was our key Figure in the present research project; therefore we designed an extensive questionnaire with semi-structured and pre-coded questions, using tick-boxes. As the purpose of the master thesis is to describe and analyze how AZ Sweden develops CR practices, we found it important to be able to gather detailed and general information on the main field of study, and therefore the importance of using both, semi-structured and pre-coded, questions. The interview lasted 70 minutes and we achieved to gather relevant information to cover all the aspects related to our project in order to answer our main and sub-research questions. Before conducting the interview, we got permission for tape-record, however due to the extensive character of the interview, the transcription is not included in the present paper. All the interview findings will be used throughout the Analysis of Findings Chapter.

The interviews we conducted delivered information about facts, feelings and understanding of the particular situation being studied. We used all the information gathered during the two interviews, aiming to be aware about the meaning and interpretation of the facts while introducing them into the master thesis project (Löwstedt and Stjernberg, 2006).

3.4 Data Analysis

According to Fisher (2007), the analysis of data involves a flow of four concurrent activities: data reduction, data display, theory building or recognizing the categories and conclusion drawing and verification. Firstly, the reduction consists of a categorization of the data under different themes. This stage helps the researcher to organize and structure the relevant information. Secondly, the data will be displayed or utilized by the researcher. Thirdly, the analysis of the gathered information will continue focusing on finding causal relationships or in seeking into the meaning of the data. Lastly, the conclusions will be drawn from the information gathered and analyzed.

Therefore, once the two interviews were conducted and the main concepts and theories reviewed, we transcribed the record audio into a document and start reducing the data by organizing into themes. Even if it represented a time consuming process, it was beneficial for the outcome of the master project as we became familiar with the field of study. Secondly, we classified the different stakeholders and gave an overview to each one of them as part of the learning process of the whole stakeholder’s map. Thirdly, the causal relationships were
identified and the theoretical model built for the case study represented and justified. Finally, the answers to our research questions are given when drawing the conclusions.

3.5 Trustworthiness of the research

As stated by Yin (2003), a research design is supposed to follow a logical set of statements and therefore, it could be tested through logical tests.

In social sciences, four tests are frequently used to test the quality of a specific research: Construct Validity, Internal Validity, External Validity and Reliability. The further subsections will give an overview of each one of them.

3.5.1 Validity

In interpreting the research results, it is important to say something that is meaningful and this is a matter of validity (Fisher, 2007). There are different measures of validity: Construct validity, Internal Validity and External Validity.

The first measure refers to research that uses questionnaires to assess whether a person or organization exhibits a particular characteristic (Fisher, 2007). This type of test, as stated by Yin (2003), is especially problematic in case study research. However, the author suggested three ways in order to increase validity: use multiple sources of evidence, establish a chain of evidence and have the draft case study reviewed by key informants. The present research project is based on the three mentioned tactics in order to increase construct validity.

Secondly, internal validity is concerned with whether the evidence presented in the case study support the claims of cause and effect. However, as stated by Yin (2003), this test is inapplicable to descriptive or exploratory case studies because this has no intention on making casual claims. Therefore, this test is only a concern for explanatory (casual) case studies. In order to increase internal validity, some authors suggested to use a wide range of methods and triangulate the findings, check the interpretations made with others, constantly question the interpretations and keep the research material archived so others may re-analyze the material (Fisher, 2007). The research project follows the tactics mentioned above in order to increase its internal validity.

Finally, external validity questions if the case study’s findings can be generalizable beyond the interpretations made for a particular context and transfer to other populations and contexts (Yin, 2003; Fisher, 2007). Yin (2003) argued that the generalization is not automatic and that the theory should replicate the findings in other contexts. Generalization in social sciences is complex and the present research project will not aim to make a theory transferable to other settings and contexts. However, we argue that the recommendations and results obtained may be transferred to AZ’s subsidiaries and even, to other companies engaged in CR Practices.

3.5.2 Reliability

This fourth test is concerned with the degree of reliability of the case study. It is argued that the result of the study will be the same if a later investigator followed the same procedure and conducted the same case study (Yin, 2003).

Gummesson (2000) argues that qualitative researchers in general aim to high validity rather than reliability, which is the main focus in quantitative research. However, in order to maximize the reliability, we aimed towards a critical data collection process, in order to have
critical sources to compare our results with. Further, attached to the master thesis are the interviews done in order to make it possible to later research studies to conduct the same case study.

### 3.6 Ethic of the knowledge production process

A stated by Ghauri and Gronhaug (2005) "*researchers have a moral responsibility to explain and find answers to their questions honestly and accurately*" (p. 20). In the AZ case study we aimed to find answers of our research question by objective evaluation of the gathered data retrieved from primary and secondary sources. As researchers we are obliged to point out the strengths of the methods and models which we use throughout the master thesis project as well as the weakness and limitations of its result. Another ethical responsibility is encountered during the problem statement formulation, mainly the researched problem itself. The problem formulation can directly or indirectly influence the people or organization reality from which we are collecting data. As researchers, we have to make a critical evaluation of the data gathered and try to stay objective and not misuse this information. A subjective approach will impact on the reliability and validity and, therefore, in the outcome of our research. Löwstedt and Stjernberg (2006) argued that the “*potential value of research demands a critical and questioning attitude to both the data and the perspectives in the organizations involved in the studies, as well as to the perspectives of dominating research communities*” (p.15). The authors additionally stated that “*research is balancing act between getting familiar with the problems and people involved in research and the need for distance in order to problematize and make critical interpretations*” (Ibid.). In our research analysis, we understood the importance of maintaining credibility and respect of the outcome of our studies (Ghauri and Gronhaug, 2005).

Another important issue when conducting research projects is the respect of individual integrity and right to privacy (Fisher, 2007). We are obliged to inform people during the interview how we are planning to use and analyze the collected data. We are also obliged to get permission to the use the names of the interviewee in our report. Additionally, we are compelled to respect all confidential information possess during the research process and use them according to the interviewee wish. As our main data collection method was interview, we first got the permission to record the different meetings with Ms. Näsström and Ms. Sundelin and, after the analysis phase, the transcription of the information was verified by the interviewee.

Our master thesis project aims to contribute to management research and “*create new knowledge and insight into relevant problems*” (Löwstedt and Stjernberg, 2006, p. 16). Hence we are concerned that by using tools such as theories, methods, and other research techniques our work become a part of a learning process. The purpose of the process of knowledge production is to enlighten and empower not only research colleagues, but also people in the researched organization and the surrounding environment (Ibid., p. 17).
4 Empirical Findings

This Chapter presents the information gathered through the interview conducted with AZ’s Director of CR and Reputation in Sweden, the interview with Apoteket’s AB Manager in Västerås and from information gathered regarding AZ’s local stakeholders. Firstly, an overview of the company is given. Secondly, AZ’s Sweden organizational field will be presented, with its stakeholders and context influencing AZ’s Management Response. The objective of this Chapter is to present the foundations for the analysis of findings.

4.1 AstraZeneca’s Profile

Astra was founded by doctors and apothecaries in 1913 in Södertälje, Sweden whereas British Zeneca Group PLC was founded in 1926. Both companies were major chemical companies for decades in their countries. In order to strengthen their position on the global market, each of those companies looked for equally strong business partner (www.britannica.com) Hence in 1999, through the merger of Swedish Astra AB and British Zeneca Group PLC, AZ was founded. Both companies were based on science cultures as well as sharing the same vision of the pharmaceutical industry. The merger aimed to improve the combined companies’ ability to deliver long term growth and endure shareholders’ value (AstraZeneca, 2009).

Today AZ is one of the world’s leading pharmaceutical companies with a world class-biological capability. The company is strongly oriented on research and innovation in order to deliver “new medicines that make a difference in the lives of patients and create value for shareholder and society” (AstraZeneca, 2009). AZ produces, develops and manufacture a broad range of products. The most recognized are Arimidex, Crestor, Nexium, Seroquel and Symbicort which are used in the treatment of diseases such as cancer, cardiovascular, gastrointestinal, infection, neuroscience, respiratory and inflammation (AstraZeneca, 2009).

The company’s operations are spread among 100 countries and have manufacturing plants in 26 of these countries. AZ’s headquarter is located in UK, London, whereas the R&D headquarter is located in Sweden, Södertälje (AstraZeneca, 2009).

During 2008, the total investment in R&D was about $5 billion. The number of employees working for R&D functions is about 12,000. The most important markets are US, Europe, and emerging markets such as China. Currently, the company employs approximately 65,000 people (51% in Europe, 32% in the Americas and 17% in Asia, Africa and Australasia). In 2008 AZ has total sales of $31.6 billion (AstraZeneca, 2009).

4.2 AstraZeneca Sweden Organizational Field

Stakeholder’s engagement is a priority for AZ’s action plan at both, global and local level. According to information provided during the interviews with AZ’s Director of CR and Reputation, Yvonne Näström, Apoteket’s AB Manager in Västerås, Åsa Sundelin, and through data gathered regarding AZ local organizational field, the Swedish environment is mapped in the Figure 3.
As stated by Näsström, the most important stakeholder group is the Patient Group. Therefore, to show more clearly this prioritization of AZ Sweden stakeholders, we designed another Figure where the different stakeholders groups are presented showing that every decision made by the company and the different stakeholders, will in turn influence the medicine’s drug composition and price that patients finally will receive.

4.2.1 The National Board of Health and Welfare

The National Board of Health and Welfare was established in 1912. The primary intention was to regulate doctors’ activities in Sweden. Through the decades, The Board had become an important governmental agency; the main national expert and superior authority concerning social services, public health, diseases prevention, health and medical care,
prevention and control and epidemiology. It is the main governmental stakeholder agency which is under the Ministry of Health and Social Affairs; hence their policy is formulated by the Swedish Government. The aim is to ensure good health, social welfare and high-quality health and social care on equal terms for the whole Swedish population. The core task is to promote a holistic approach in health and welfare activities, influencing authorities to prevent poor health and/or poor living conditions, ensuring medicinal and other care and disease prevention, promoting the cooperation between departments, units and employees (Socialstyrelsen, 2007).

4.2.2 The Swedish National Institute of Public Health

The Swedish National Institute of Public Health is another governmental agency depending on the Ministry of Health and Social Affairs. It is located in Östersund and employees 160 people. The main function of the institute is to monitor and coordinate the implementation of the national public health policy. Another function is to be a national centre of knowledge for the development and dissemination of methods and strategies in the field of public health. Finally, the institute stands for the supervision in the areas of alcohol, tobacco and illicit drugs by regulations and general recommendations relating to alcohol well as collect national data on illicit drugs and assumes responsibility for product control and printed warnings on tobacco products according to EU regulations. The institute is working in close cooperation with local municipalities, counties and regions where the majority of the practical public health activities take place (Statens folkhälsoinstitut, 2009).

4.2.3 The Medical Product Agency

The Medical Product Agency is the Swedish national authority responsible for regulation and surveillance of the development, manufacturing and sale of drugs and other medicinal products. The Agency is also one of the leading regulatory authorities in the EU. Together with other EU authorities, they ensure that only safe and efficacious medicines, medicine-related products and medical devices reach Europe, and consequently the Swedish market. Sweden joined the EU in 1995 and since then it had harmonized its legislation with that of the European Community.

In the agency there are around 450 employees, mainly pharmacists and doctors. The core task is to ensure that both the individual patient and healthcare professionals have access to safe and effective medicinal products and that these are used in a rational and cost-effective manner (Lakemedelsverket, 2007).

Moreover a major part of the Medical Products Agency’s work is devoted to the approval of medicines. Results are presented as assessment reports that are reviewed in several stages before receiving their final form (Lakemedelsverket, 2007).

4.2.4 The Pharmaceutical Benefit Board

The Pharmaceutical Benefit Board is a central government agency whose function is to determine whether a pharmaceutical product or dental care procedure shall be subsidized by the state. In other words, the board strives to create improvements in health using the tax revenues that are allocated for medicines and dental care. This responsibility has been assigned to ensure that benefits are equally distributed through Sweden.
Regarding the decision on whether a pharmaceutical product or dental care procedure shall be subsidized or not, the board considers cost effectiveness, i.e. whether or not the cost of the treatment is reasonable in relation to the good it does.

The Dental and Pharmaceutical Benefits Agency, TLV, is an agency with approximately 45 employees. Decisions regarding what will be subsidized are taken by two different boards; one for dental care and one for pharmaceutical products. Both boards consist of a chairman and a number of members. Each of the board members has a great amount of knowledge and experience in his or her individual field, and is appointed by the Government for a period of two years (Tandvårds- och läkemedelsförmånsverket, TLV, 2008).

The Pharmaceutical Benefits Board has ten members who take decisions on prices and subsidies for pharmaceutical products and those medical devices that are included in the pharmaceutical benefits scheme and part of the high-cost threshold.

The Dental Care Benefits Board has six members and takes decisions on the dental care procedures that shall be subsidized, how much the compensation in the high cost threshold shall be as well as the reference prices for different dental care procedures.

The decisions made by the boards are based upon the concept of providing more assistance to those people who have the greatest needs. The TLV cooperates with patient organizations in a ‘User Council’. In more comprehensive decisions, involved patient organizations may also submit comments (Tandvårds- och läkemedelsförmånsverket, TLV, 2008).

The TLV was previously known as the LFN. The LFN was established in 2002 and was responsible for taking decisions on what prescription-only pharmaceutical products and medical devices would be subsidized.

In July 2008, a new dental care reform went into effect and the new Dental Care Benefits Board was established on Sept 1, 2008. The name of LFN was changed to TLV, the Dental and Pharmaceutical Benefits Agency to better reflect the remit (Tandvårds- och läkemedelsförmånsverket, TLV, 2008).

4.2.5 County Councils

Sweden has 9 million inhabitants. The whole country is divided into twenty-one-counties (län). Each county has their own regional parliament called County Administrative Board (länsstyrelse) and is divided into municipalities (kommuner). The county is responsible for the public healthcare system, education and transportation. Regarding public health care system, 10% of the regional income tax is intended to finance this sector. The education and researches run within the medical sector are financed by the national government. Local government is in charge of giving licenses for the medicines. The list of medicines may vary within the different counties (Regeringskansliet, 2007).

4.2.6 Apoteket AB

Apoteket AB is a pharmaceutical retail company which is 100% owned by the Swedish state. The company is specialized in selling medicine, body and hygiene products. Apoteket AB is responsible for providing health care facilities with medicine and running hospital pharmacies. The company is highly regulated by government units – the Medical Products Agency (Läkemedelsverket) and the Swedish National Board of Health and Welfare (Socialstyrelsen). Currently, the company employs about 10600 people. The company
strategy is not profit maximization but their main task is to sell the products at an affordable price. However all price fixing is not in the competence of Apoteket AB but in the authorities mentioned above (Apoteket AB, 2009).

After 2006 elections, the government decided to start a process of deregulation of Apoteket AB which will start running as from July 2009. According to Lakemedelsverket (2007), the aim of the current deregulation of the Swedish pharmacy market is to achieve efficiency gains and better accessibility for consumers. Also, it has been mentioned that another important objective of the deregulation is to avoid the monopolistic market and to provide with better prices to the customers. For example, in the case of Denmark the deregulation of the pharmaceutical retail companies led to a price reduction in the private owned stores.

Apoteket AB is nowadays being supplied by two pharmaceutical distributors: Tamro and Kronans Droghandel. However, according to an interview held with the manager of the head Apoteket AB in Västerås, Åsa Sundelin, these companies may enter the business as pharmaceutical retailers and therefore, Apoteket AB may decide to open their own supply chain channel.

4.2.6.1 Tamro Group

The Tamro Group is one of two main pharmaceutical suppliers in Sweden. In the mentioned country, pharmaceuticals products are channeled by a single distribution channel which is unique among other EU countries. This distribution means that pharmaceutical companies are the only clients. Such system involves a strong competition between suppliers. Tamro as specialists in pharmaceutical logistics is delivering everyday pharmaceuticals, healthcare products and medical products to 900 pharmacies, hospitals, health centers and veterinarians in the whole country (Tamro, n.d.).

4.2.6.2 Kronans Droghandel

Kronans Droghandel is a subsidiary company of the Finnish Oriola-KD Corporation which was founded in 1907. Nowadays, the company is one of the two most important Swedish pharmaceutical suppliers, together with the Tamro Group. The company’s responsibility is the effective logistics of medicinal products, from the manufacturer to the customers. Their main aim is “to be the natural and leading logistics partner for the healthcare market through a strong customer focus, together with cost effectiveness and quality” (Kronans Droghandel, 2009).

4.2.7 Local Communities, Institutions and NGO’s

AZ local engagement aims to maintain open dialogues with their local communities, institutions and NGOs. The role of the company is to keep the mentioned stakeholders involved in their decision making process, giving them the space and opportunity to raise their concerns (AstraZeneca, 2009).

In AZ Sweden, they have been committed to collaborating with academic institutions. As stated by Näsström, while 17% of the global employees are located in Sweden, only 2% of the total market share corresponds to the mentioned country. As she argued, this is due to the fact that in Sweden the company has production units and also because of the high number of employees working for R&D activities. In the last years, Sweden contributed economically to the promotion of academic and university activities related to health. As
argued by Näsström, this collaboration builds the “climate in Sweden for more Research and Development”.

Regarding Swedish stakeholders, AZ is supporting the Asthma Treatment Units. This program initiated in 1987 and has proved to offer patient education and also economic benefits. These units operate within the Swedish healthcare system of Open Care Units (OCUs). AZ engagement with the OCUs is through the provision of specialized training for 1,250 nurses and doctors (AstraZeneca, 2009).

Regarding the environment, AZ is committed to ensuring that any potential adverse effects are balanced against the benefits that the medicines bring to patients.

AZ promotes the engagement with non-governmental organizations such as the Red Cross, AMREF, Axios and VSO and international organizations such as the World Health Organization and OXFAM (AstraZeneca, 2009).

4.2.8 Employees

As mentioned above, the integration of responsible business across all the units of the organization and within every employee is a priority for AZ. The Code of Conduct and the Global Policies show the organization’s commitment towards the employees.

AZ strongly focuses on communication and feedback with their employees. The global survey called FOCUS is the way in which the organization takes into consideration employees’ opinions over a wide range of key topics. For the FOCUS 2008, 86% of AZ’s employees participated. The mentioned survey is used to track and to provide with information to leaders and managers regarding how the work is being done and which improvements may be achieved. As stated by Näsström during the interview, “employees’ engagement is essential for the long term success of AZ”. The percentage of participation in the last year FOCUS reflected the employees’ confidence in the survey as a feedback mechanism.

Regarding human rights in the work environment, AZ is supportive to the United Nations Declaration of Human Rights. This includes promoting diversity, and complying with national legal requirements regarding wages and working hours, as minimum. Regarding Labor conditions, AZ supports the International Labor Organization standards. Also, every employee has the right to be a member of a trade union. Regarding the supply chain companies working in collaboration with AZ, the organization is committed to working only with suppliers who embrace standards of ethical behavior consistent with those that AZ has (AstraZeneca, 2009).

Also, in line with employees’ engagement, the organization supports people in achieving their full potential with learning and development opportunities. AZ is committed to promoting and maintaining a culture of respect and equal opportunity. Promoting a safe workplace, health and wellbeing of all the AZ’s employees remains a core priority for the business (AstraZeneca, 2009).

4.2.9 Shareholders

The main strategy of AZ is to create enduring value for shareholders by delivering medicines that make a meaningful difference to patient health. The company has a strong focus on creating shareholders wealth by beings as one of the best-performing pharmaceutical companies.
AZ encourages face-to-face meetings and dialogues with their stakeholders. The company also is part of the Dow Jones Sustainability Index since 2001, which reflects key areas of interest for the shareholders. The mentioned index is a performance indicator to assess the progress regarding the culture of responsibility and accountability (AstraZeneca, 2009).

4.2.10 Mass Media

In Sweden, as in every other country, media plays an important role in the organizational field. However, this is a special group pressuring the organization. As mentioned by Donaldson and Preston (1995), there are influencers and stakeholders and some of the actors may be both. However, some actors may be recognized as stakeholders without influence and some actors may have influence but may not be considered stakeholders. In this last definition enters the Mass Media. However, for practical reasons, we show it together with the other stakeholders as we are interested in the group of actors within the organizational field that may influence the organization.

Mass Media is a term used to identify press, television, radio, broadcasting, blogs which addresses large audiences. In this sense, every organization, and AZ in particular, is influenced by the news informed in the media about their organizational practices.

4.2.11 Patient Groups

The mission of Patient Groups in Sweden is to stay in touch with the changing needs of the patients and to make the difference in patients’ health condition. The continuous dialogue with these stakeholders group is vital to AZ’s aim of making a meaningful difference to patients’ health and the aim is to improve the conditions and to create better existence for patients. According to Näsström, patients group are playing a crucial role in the environment where pharmaceutical companies are operating, as they are as significant as patients. AZ keeps constant dialogue with governmental and non-governmental institutions (LIF - de forskande läkemedelsföretagen, 2009). Below, two main Patient Organizations are presented.

4.2.11.1 Swedish Patient Insurance

The main task of the Swedish Patient Insurance is to provide financial compensation for patients in the public health and dental care system, who suffer from the injury. Each year 10,000 injuries are reported to the mentioned organization and around 45% of them are compensated. The Swedish Patient Insurance provides broad information about the compensation procedures as well as useful statistic indicators. Additionally, the organization provides information about patient insurance in Sweden (Patientforsakring, 2009).

4.2.11.2 Pharmaceutical Insurance Association

Pharmaceutical Insurance Association (LFF) is a non-profit organization which provides insurance coverage. The uniqueness of the institution is in the availableness of the insurance for those suffering from adverse effects of pharmaceutical treatment. LFF insurance covers all the people who had been treated with prescribed pharmaceutical products or pharmaceuticals purchased at a Swedish Apoteket AB. The insurance also extends to the patients who received their pharmaceuticals at a hospital or who are suffering adverse reactions or effects owing to participation in clinical trials covered by the insurance. The members are almost all companies that manufacture or import pharmaceuticals around Sweden. It works with volunteer membership (Lakemedelsförsäkringen, 2009).
5 Analysis of Findings

This Chapter presents the analysis of the empirical findings presented in Chapter 4. AZ Sweden organizational field CR pressures will be analyzed. Then, AZ Management Response to the organizational field pressures will be studied. Finally, the organization’s CR Strategy will be explained in detailed through the components of its organizational structure, code of conduct and corporate policies. The objective of this Chapter is to present the foundations for answering the research and sub-research questions by following the analytical model presented in Chapter 2.

5.1 Organizational Field’s CR Pressures

In Chapter 4, AZ Sweden local stakeholders were mapped and an example of context and event situations was presented. As argued in the Analytical Framework, the organizational field exerts CR pressures to the organization and this generates management awareness to respond to the demands. As shown in the Analytical Framework, the management response will lead together with the organization CR strategy, to the creation of the company’s CR practice. However, this process is not linear but dynamic and suffers from several feedback loops.

The greatest challenge today is how corporations and managers deal with business ethics vis-à-vis their stakeholders (Carroll, 2004). AZ Sweden CR practice and stakeholders engagement lie in the core of their business strategy. The company is part and co-exists with their stakeholders and at the same it is influenced by the context and different events in the environment. New institutional theory stands on the premise that the social and cultural pressures imposed on the organizations influences their behavior and practices. Therefore, the organizational field is known as the “building blocks for the organization” (Meyer and Rowan, 1977, p. 345). The environment is not external to the organization but it interpenetrates and the organization adopts patterns that are externally defined as appropriate to their environments, and that are reinforced by their interactions with other organizations (Westney, 2005). This is known as isomorphism within the institutional environment.

According to Näström, AZ Sweden experiences continuous pressure from its organizational field. One of the sub-research questions guiding the present project is focused on the role of the company towards its organizational field and stakeholders’ network in the construction of CR practices.

On the national level, AZ Sweden is influenced by the Medical Product Agency and the National Board of Health and Welfare. The National Board of Health and Welfare pressures AZ regarding the standards and the care and treatment. The Medical Product Agency is the entity which is responsible for the approval of new medicines. The main pressure from both agencies is the price and the components of the drugs. Another governmental agency, under Ministry of Health, is the Pharmaceutical Benefit Board. The Board is responsible for decisions related to subsidies for pharmaceutical products. The main task of the Swedish National Institute of Public Health is to monitor and coordinate the implementation of the national public health policy and supervise the drug regulation. Governmental stakeholders in Sweden have a key role in regulating and influencing the pharmaceutical industry due to the social good that this industry commercializes. Firstly they fix prices and give permission for introducing products on the national level. Secondly, the mentioned groups monitor if the company fulfills the requirements established by the government in order to launch a
new product. When the drug is near its final stakeholders, the patients, is the regional government who plays a key role. As mentioned in Chapter 4, Sweden is divided into 21 County Councils. Each of them is responsible for the level and quality of the public health in its region. Therefore, every time AZ Sweden wants to launch a new product on the market, first the company agents need to get the license from the regional government. As stated by Näsström, the company needs to establish relations with every of the 21 County Councils as the legal regulations towards medicines are different in each of them.

The organizational field affecting AZ is also composed of Suppliers. Apoteket AB, is in charge of selling the products to the final patient. As stated by Sundelin, in order to deliver the company’s medicine to Apoteket AB, AZ Sweden operates with two main suppliers: Tamro and Kronas Droghandel. The main pressure practice by the supply chain is when establishing its profit margins. Also within AZ’s local organizational field, and related to this last group, there are the patients, which represent the final customer of the product that AZ produces and commercializes. Within the Swedish environment, the Patient Insurance and the Pharmaceutical Insurance Association are the two main interest groups. The main task of these patient groups is to provide financial compensation and medical and insurance information. If the pharmaceutical company meets the requirements and participates with the mentioned groups, then its position and credibility among patients will be strengthened.

Another important stakeholders group within the organization field is the local community, institutions and NGOs which influences AZ. As stated by Näsström, in Sweden the organization focuses strongly on R&D and therefore has signed agreements with the major universities. In this sense, they build a relation with students and the academic institutions which will, on the one hand, ground the improvement of the development of the pharmaceutical industry and, on the other hand, will permit the organization to hire employees from those institutions. NGOs also play an important role as a group with strong position in the society as a whole. Therefore, as mentioned above, the company is promoting the engagement with non-governmental organizations such as the Red Cross, AMREF, Axios and VSO and international organizations such as the World Health Organization and OXFAM. These dialogues improve the image of the company as an environmental and socially friendly organization engaged with its organizational field.

Employees and shareholders are internal stakeholders which also practice pressure on the organization. On the one hand, employees are the key to AZ’s long term success and therefore, their demands should be taken into account by the organization. As mentioned before, once per year a global survey is being conducted to understand which improvements can be achieved by the company in its relation with its employees. On the other hand, regarding the shareholders, their pressure is significant as they provide with the financial support for further development on R&D and innovation.

As reviewed in Chapter 2, Freeman (1984) distinguishes different ways in which an organization may get involved with their stakeholders. From the information gathered during the interview, AZ may be seen as an explicit negotiation strategy in the sense that the CR management team in Sweden utilizes an explicit negotiation process through dialogue. Further, as stated by Näsström, in order to keep an efficient stakeholders engagement, AZ’s strategy is to involve in the dialogue different parties who may have conflicting interests and may diverge in the expectations regarding the corporate action (Freeman, 1984).
As stated by Freeman (1984), values and social issues can be mixed in a variety of proportions which will lead to different generic strategies. According to the information gathered from AZ Sweden local engagement, we may establish that the organization follows a Social Harmony Strategy. AZ aims to gain consensus among society through communitarianism. The CR management team will aim to resolve conflicting issues by mutual understanding between the parties involved in order to minimize the friction among them, maximize the community results and achieve a twin goal outcome.

The explicit negotiation and the social harmony strategy may be linked to the use of the deliberative model, which has been taken from the political arena and is contributing to the analysis of the companies in their engagement in stakeholders’ dialogues. This model stands on the principle that lack of coordination and conflict may be resolved through discussion, which builds trust and legitimacy. By engaging in this type of dialogue, AZ is showing their interest on the organizational field as a determinant to its CR practices.

Stakeholder engagement strategy is a dynamic and ongoing process which suffers from feedback loops. In order to align the corporate priorities to the expectations of the stakeholders, the organization should stay in close relationship with the different parties (Freeman, 1984).

As shown in the Analytical Framework presented in Chapter 2, another important factor within the organization’s environment is the context and the event. As identified by O’Riordan and Fairbrass (2008), these may be represented by a specific incident in society or the environment. In this sense, the deregulation of Apoteket AB and the swine flue outbreak may be seen as two situations conforming the context and event because they triggered AZ’s management response towards the stakeholders’ engagement.

As mentioned before, the different stakeholders, the context and event are part of the organization’s environment. In this sense, it may be stated that AZ Sweden receives institutional pressure by the parties and the context and event surrounding the organization which may lead to increased awareness of the management team and finally to the adoption of new CR practices. As stated by Windell (2006), after her extensive empirical analysis of the construction and proliferation of CSR between the mid-1990s and 2005, organizations react to new ideas circulating in the business community, which in turn, result in institutional change. Therefore, she demonstrated that organization practices (corporate actions) are “guided not only by explicit rules such as laws, standards, or directive; they are also guided by more implicit rules such as taken-for-granted assumptions and norms that form institutional models” (p. 205). The government influences the pharmaceutical industry through its political and regulatory pressures, that is, through its coercive power. In addition to the different actors within the mentioned group, the pharmaceutical industry receives customer (patient) coercive pressure in order to improve or maintain their relations with the local communities. This coercive pressure is strong in the case of the pharmaceutical industry due to the social good it commercializes. The industry also receives competitive pressures. In this sense, the organization may facilitate coercive and mimetic isomorphism, especially when multinational companies diffuse its practices across national borders or when firms adopt best practices that other leading firms had adopted. As stated by Näström during the interview, the managers of CR in Sweden attend seminars where different companies share their best practices which, by isomorphic pressure, may lead to the implementation of new CR practices.
As shown above, the organizational field pressure is what increases the management awareness and what causes the organization to respond and act. This social, culture and regulatory pressures influences the organization and together with its CR strategy, is what builds the company’s CR practices.

5.2 AstraZeneca Management Response

The presence of ethics behavior has an impact in the role of the pharmaceutical industry towards its organizational field and environment. In the mentioned industry, this aspect is even more significant as the companies, such as AZ, are responsible in some way for the health condition of society as a whole.

Regarding the management response, the company is usually striving with tension among different stakeholders groups in order to balance their expectations. As stated by Näsström, “the best way to make different stakeholders aware about the company’s challenge in the stakeholder engagement is the dialogue among all the actors” within the organizational field. This is the core in the institutional theory where the legitimacy of business stands on the actions which are “desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995, p. 574). This argument is also in line with the deliberative based engagement method. As stated by Elster (1998) it is “decision making by discussion among free and equal citizens” (p. 1). On AZ’s Sweden case, all the parties are involved in an open dialogue. However, as outside researchers, the fact of the different actors being free and equal and participating without discrimination is difficult to proof. However, Näsström argued that the dialogues are effective as they lead to mutual understanding and improved cooperation, not only between the company and its stakeholders but also among the different stakeholders. The dialogue includes the interpretation of needs and expectations among the diverse and interdependent actors and the development of reciprocal relationships (Innes and Booher, 2005). Also, in the deliberative process, AZ benefits by having the possibility to see how the company is considered by their stakeholders and what their stakeholders’ precise expectations are. It also gives the chance to build a relationship based on trust and face-to-face interaction.

Näsström stated that AZ organizes meetings during which a certain theme is discussed, e.g. the animal medical research. As all involved parties in the animal case are present (NGOs protecting animal rights, patient organizations, shareholders), the opportunity to increase the awareness of each other expectations is constructive for the dialogue and for their mutual understanding on the issue. However, even if AstraZeneca Sweden efforts encourage the mutual understanding among the different stakes, the company still receives pressures from organizations, such as the Animal Rights Alliance in Sweden which is a group that argues that “animals should be free from oppression” (Djurrättsalliansen, 2009). During June 2009, the mentioned organization called for a protest and activists gathered outside AZ’s offices in Lund. Activists claim that they will continue with the protests as long “as long as AZ continues doing business with Huntingdon Life Sciences” (Stop Hunting Animal Cruelty, 2009). Huntingdon Life Sciences is an animal testing company which has been under intense pressure from animal rights groups since it started operating. An important philosopher supporting the animal liberation movement is Peter Singer who encourages animal equality (Singer, 1990).

AZ is also giving the opportunity to express employees’ feelings in the annual survey and treat them equally no matter of the position and education (Code of Conduct). In this case,
the practical application of Rawls theory of justice is put into practice (Phillips, 2003).
Another application can be seen in the internal stakeholders’ awareness presented by the company. As argued by Näström, all employees are treated as equals. In this sense it may be stated that AZ is following Habermas’ conditions for an ideal speech in the communication between the managers and its internal stakeholders. The company is building part of its practices with the participation of all the interest parties. In this sense, it may be argued that the internal stakeholders share the power and operate in an open and equal way.

As stated by AZ’s CEO “Responsibility is embedded in AstraZeneca’s business strategy because we consider it to be critical to our continued success” (Strategy and Vision, 2009). The mentioned strategy is supported mainly by the Code of Conduct and the Global Policies, which state that all the members of the organization must:

“observe high standards of integrity and honesty, and to act with care, diligence and fairness in all our business activities. All our interactions with stakeholders and wider society should be conducted in an ethical and proper manner” (Code of Conduct, 2009).

As shown above, AZ management deliberative dialogue response aims to build fair cooperation and mutual understanding among the different actors within the organizational field, which in turn will strengthen the legitimacy of the company’s CR practices.

5.3 AstraZeneca CR Strategy

This section will study the CR Strategy, which is based upon the organizational structure design to give answer to responsibility issues, the code of conduct and the organization’s global policies. As it was shown and explained in the Analytical Framework presented in Chapter 2, the CR Strategy, affects and is affected by the management response towards the organizational field and, affects and is affected by the organization’s CR Practices.

5.3.1 Organizational Structure

As mentioned above, AZ is being influenced by its organizational field and that explains the reason why AZ changed the organization structure to directly deal with CR issues, or why the company established the 12 CR priority plan, or the revised global policies.

As stated by Näström, the main characteristic of managing CR in the pharmaceutical industry is that it is a high regulated industry and therefore, the business first needs to comply with those regulations. However, as argued by Näström, this is not what builds the company’s reputation. Above AZ’s compliance to the regulations there are other expectations and in this sense the firm needs to go further to meet them. Therefore, CR is in some way compliance and on the other hand, going further to meet stakeholders’ expectations. Another distinctive characteristic of CR in the pharmaceutical industry is that the business is enhancing people’s health. Therefore, if any product harms the customer, AZ reputation would be highly damaged. Thirdly, another characteristic of the pharmaceutical industry is that, usually, customers do not have a strong connection between the brand and the product. However, AZ Sweden is an exception to the case. As stated by Näström, AZ ran a market research in the mentioned country and in 87% of the cases the customers spontaneously mentioned AZ. This result shows that customers in Sweden have a strong awareness of AZ products and brand. Maybe one of the reasons is Astra as a historical Swedish company and due to this heritage. In the same market research, 75% of the customers stated that AZ is a trustworthy company.
A global CR Team was established during the late 2007. However, as stated by Näsström, AZ has been working with CR as part of their business since they started. The first environmental director was hired in 1968. Näsström argued that the difference is that nowadays it is a part of the business as a different department to give more focus on the management team and therefore, respond more efficiently to the pressures exerted by the environment.

Only in Sweden, US and UK, which are the three main business hubs that AZ has, there are national CR governance groups and management frameworks. Elsewhere in the world, CR is integrated into leadership team agendas and interpreted at a local level. As stated by David R. Brennan, Chief Executive Officer, CR is core to the sustainable development of the business (AstraZeneca, February 2009). The effective management of stakeholders is critical to building and maintaining trust and confidence in AZ as a company which is committed to deliver business responsibly.

The Sweden Governance Group (SGG) is accountable for national reputation and CR plans, including communication with Swedish stakeholders. SGG is supported by the CR function, which leads to the development and implementation of CR across Sweden. This direction of CR and Reputation in Sweden reports indirectly to the Head of Sweden Corporate Affairs and directly to the Global CR director in UK. All these functions are globally aligned.

During the interview held on the 12th of May 2009, Näsström argued that today’s challenge is to communicate the strategy to the employees. This communication needs to be explicit so each employee understands that it has to do with their own way of working. In this way, AZ ensures that responsible business considerations are integrated into everyday business thinking and decision-making. This strategy is shown in Figure 5, where Who stands for the brand, AZ brand; What stands for the core business, that is, R&D, Marketing and Sales, Production, etc.; and How stands for the way it is performed, that is, how do AZ performs R&D, Marketing and Sales, Production. These three elements together built up the AZ’s Reputation. All of these should work in the same direction in order to enhance the business reputation and therefore, this is the strategy AZ uses to engage the employees towards the same direction.

![Figure 5: AstraZeneca Reputation Strategy. Source: Authors.](image)

Core to AZ’s business strategy is the share responsibility throughout all the employees in the organization. As stated by Näsström, Responsible Leadership is a pillar in their strategy and this responsibility is not exclusively of the management team but it also applies to each employee as each one is its own leader of himself/herself and his/her development.

In order to educate about the importance of engaging in how the business is carried on in a responsible way, AZ did during 2008 an e-learning course for their 75000 employees about AZ’s Code of Conduct. It was compulsory and was conformed by practical dilemmas. The annual survey (FOCUS) resulted in line with the business expectations. As stated by Näsström, a high percentage of the employees agreed with the statement that AZ manages a responsible business. Therefore, as Näsström argued, the CR programme is highly embedded in the company’s culture.
Continuing with AZ’s CR strategy, the firm established a CR priority plan consisting of 12 key areas of focus. The action plan consists of an objective, how to carry out and how to monitor it (AstraZeneca, 2009) and it is shown in Figure 6.

| 1. CR considerations to be included in all relevant strategies and decisions. |
| 2. Application of high ethical standards in dealings with stakeholders, in line with our Code of Conduct and supporting policies, and consistent implementation of required CR standards across the group. |
| 4. Ensure high ethical standards of sales and marketing practice. |
| 5. Ensure access to medicines is considered when defining pricing and market. Special focus in ensuring access to medicines in the developing world. |
| 6. Minimize the number of animals to achieve the scientific objectives and enhance the welfare of those animals used. |
| 7. Ensure that clinical trial programs continue to be safe, well-designed and appropriate and that there exists open communication of appropriate data. |
| 8. Commitment to the principles of the UN Declaration of Human Rights worldwide and ensure diversity and inclusion. |
| 9. Protect the safety of all those who drive on Company business. |
| 10. Minimize the impact of our business activities worldwide. |
| 11. Pursue opportunities to reduce or eliminate potential adverse impacts of pharmaceuticals in the environment. |
| 12. Ensure our suppliers embrace CR standards that are consistent with our own. |

Figure 6: AstraZeneca CR Priority Plan. Source: AstraZeneca.

5.3.2 Code of Conduct

In the core of AZ CR strategy stands the organization’s Code of Conduct. This is the main tool for monitoring the ethical behavior of its employees. The first Code of Conduct was published in 2000. Since that time, it plays a fundamental role in building trust and confidence by upholding ethical standards. As stated in the introductory words of the corporate Code of Conduct, all members of AZ are obligated to follow:

“standards of integrity and honesty, and act with care, diligence and fairness in all our business activities. All our interactions with stakeholders and wider society should be conducted in an ethical and proper manner” (Code of Conduct, 2009).

AZ’s Code of Conduct is distributed to all employees as soon as they enter the organization in order to make them aware about how to act in accordance with the company’s policies.

As AZ is operated globally, align with the market expansions, the importance of trust building is essential. The company has a high pressure and responsibility as a global provider of healthcare. Therefore, the most important issue in this type of industry is to maintain trust and confidence among those who have stake in the company’s activities: patients, shareholders, employees, government. As stated in the Code of Conduct, everyone should conduct and be aware of their activities in accordance with the mentioned code. The managers are responsible for providing the code among their employees as well as introducing other supporting policies (Code of Conduct, p.5).

The Code of Conduct covers issues such as business opportunities, equal opportunities, political contribution, harassment, delegate authority, general product information, corruption and bribery, environment, health and safety, patient group support, company protection, trade controls (Code of Conduct). The mentioned Code includes general procedures to be obeyed by all the employees. The information in the document is general, how the codes are implemented in practice is not included.
Additionally, AZ provides a special webpage AZethic to facilitate the contact in case of emerging questions from any stakeholder party. As mentioned by Näsström, special information about the company’s animal research study is constructed to meet the youngest stakeholders’ expectations – youth- which nowadays is even more involved in animals’ right protection issues than ever before. Moreover, the company is providing direct telephone numbers in each country and global email addresses to facilitate the access to medicine information for all stakeholders.

These empirical findings show that the company is concerned about its internal and external stakeholders and therefore, is addressing its demands by including them as part of their corporate Code of Conduct.

5.3.3 Global Policies

On the beginning of 2009, AZ introduced new 11 Global Policies as a supportive tool to ensure the Code of Conduct clarity and focus on key business activities and risk. The Global Policies are focused on anti-bribery and anti-corruption, bioethics, communication, community supports including patient group interaction and productive donations, data protection and privacy, legal and intercultural property, people, providing information about products, quality and regulatory compliances, safety, health and environment, safeguarding company assets and resources (AstraZeneca, 2009). A short overview of each one of them will be presented. All these policies have their own document which presents detailed information regarding each one of the issues.

Firstly, the anti-bribery and anti-corruption policy describes the company’s obligation not

“to offer, pay or accept bribes and to maintaining high standards of ethical and law-abiding behavior in all our interactions with government officials, healthcare professionals and organizations and community organizations” (AZ Anti-Bribery and Anti-Corruption Global Policy, 2009, p. 1).

Under this policy, AZ states that all staff and representatives are obliged not to give money “or anything else of value to any person, in order to obtain retain business or secure any other improper advantage” (Ibid., p.1). On the other hand, the company has the right to provide monetary or non-monetary sponsorship for “independent scientific and educational activities organized and implemented by thirds parties. Promotional activities must be kept separate from such activities” (Ibid., p.3). However, the two policies mentioned above came into jury during 2008 (Times Online, 2008). The Nobel Prize holder in Medicine for cancer-related research on Human Papilloma Virus (HPV) was Harald zur Hausen, and apparently, AZ had a stake in the two lucrative HPV vaccines against the mentioned virus. The Company sponsored the Nobel Media and Nobel Web. According to Times Online article “two senior Figures in the process that chose Mr zur Hausen have strong links with the pharmaceutical company, which has also recently begun sponsoring the Nobel website and pro-motional subsidiary” (Ibid.). Questions regarding AZ’s ethical values as a global company started to arise after the mentioned incident. However, a spokesman from the mentioned company argued that “We have no influence over the prizewinners nor would we ever seek to. AstraZeneca as a company is not involved in the process of Nobel prize selection” (Ibid.).

Secondly, bioethics policy is related to AZ’s commitment to

“principles, behaviors and ethical standards governing our research and development worldwide” (AZ Bioethics Global Policy, 2009, p. 1).
The company is aware that new medicines launch in the market should be founded upon ethical standards. The organization presents regulations, presented in the Global Policy and Code of Conduct, towards medical experimentation on animal, good manufactory, clinical and laboratory practice. In this way, we argue that AZ is showing its engagement towards the understanding of balancing the expectations from different stakeholders groups. As stated in the Annual Report by the C.E.O. David R. Brennan, AZ’s vision is to “be innovation-driven, research-based pharmaceutical company focused on human health and capable of delivering a consistent flow of innovative and differentiated products to patients in markets around world” (2009, p.5). Hence, in the center of AZ’s Global Policy, there are the ethical standards of how research is being conducted. The Bioethics Report gives an overview of how animal researches studies, human embryonic stem cells or generally modified microorganism are being conducted and used in further development of medical products (AstraZeneca, 2009). However, the mentioned policy receives huge pressures from the organizational field, mainly from organizations fighting for animal rights and the animal liberation case, whose more influential actor in the animal liberation movement is Singer. The mentioned author stated that “there are obviously important differences between human and other animals, and these differences must give rise to some differences in the rights that each have (...) Recognizing this evident fact, however is no barrier to the case for extending the basic principle of equality to non-human animals (...) The basic principle of equality does not require equal or identical treatment; it requires equal consideration” (in Sterba, 2009, p. 501). AZ’s approach towards animals’ identical treatment is still limited, as human health is for the company prior to the animals tests used to discover new medicines.

Thirdly, the global policy regarding the company’s communications states that:

“must be fair, complete, accurate and not misleading, either through inclusion or omission” (AZ Communications Global Policy, 2009, p. 1).

AZ is continuously communicating with the general public, patients, media, staff, healthcare professional and organization, governments, local communities, non-governmental organization and other stakeholders (Ibid.). All employees’ activities should be in line with the general corporate guidelines. There are specific functions within the organization which are based on providing product information: price, content, and the application and trustworthy of the AZ’s medicines. In this sense, a powerful source of communication in relation to the main stakeholders group – patients- is media. Then, regarding AZ’s communication with governments, NGOs and other public bodies, it is also managed by specific functions: Government Affairs and R&D Science Policy and Regulatory Affairs (Ibid., p. 2). As stated by Näsström, the aim of CR and Reputation Department is to focus on the long term policy in regards to their organizational field. However, in the day-to-day business, the company’s reputation is in the competence of Market and Sale Department. Further Näsström argued that media has great impact on the creation of the customer image about the company and its products. Therefore, CR and Reputation Department tries to support Market and Sale Department representatives by providing knowledge to respond to media demands.

Another global policy is related to AZ’s commitment towards their surrounding environment and it describes the requirements for:

“ensuring that our community support activities (...) bring sustainable benefit, in line with our strategic business goals. It also describes the requirements regarding product
donations and support to patient groups and other healthcare organizations” (AZ Community Support Global Policy, 2009, p. 1).

As stated by Näsström, AZ will comply with all the legal and regulatory obligations and then will go further to engage with the stakeholders. Following Carroll’s CSR pyramid (1991), AZ has economic responsibilities in the sense that the company needs its profits to continue investing in the development of health products, beneficial for the society as a whole. On the other hand, the company has also legal responsibilities and needs to comply with the different laws and codes which regulate the business. Thirdly, AZ has ethical responsibilities which, as Carroll mentioned, are essential when law is not adequate and when organizations are highly aware about their reputation. This responsibility encompasses the company’s engagement on practices within its organizational field which are not codified within any law, such as promoting science education and skills among the young people or supporting activities which promote the healthcare in the local communities. Finally, the company has philanthropic responsibilities (top of Carroll’s pyramid). These responsibilities go beyond what is mandated and/or expected of the business.

AZ also has a global policy regulating the data protection and privacy which states that AZ must:

“protect personal information collected, recorded, stored, altered, retrieved, disclosed, shared, combined, backed-up, destroyed or otherwise used (“processed”) during the course of our business activities” (AZ Data Protection and Privacy Global Policy, 2009, p. 1).

Then, the organization must comply with the policy of Legal and Intellectual Property which establishes AZ’s commitment to:

“comply with the laws and regulations of all countries in which we operate, and with all applicable national and international codes” (AZ Legal and Intellectual Property Global Policy, 2009, p. 1).

However, the mentioned principle was put under trial in 2005 by the European Commission who found that that AstraZeneca had abused its dominant position by obtaining patent term extensions for a particular pharmaceutical, LOSEC, by blocking and delaying the market entry of generic products (The Local, 2005). In this situation, AZ’s intellectual property extension was questioned. The patent was in conflict not only with laws and regulations regarding Intellectual Property but also with human welfare rights, the social need for life enhancing and saving medicines.

The cornerstone of each company is the people working on behalf of it. The employees are somehow the ambassadors, faces and the trademarks of each firm. AZ’s Global Policy regarding its employees states their commitment to:

“promoting and maintaining a culture of diversity and equal opportunity” (AZ People Global Policy, 2009, p. 1).

AZ policy towards human resources practices is transparent and based on the principle of fair decisions and fair promotion, present in Rawls’ theory of justice. Managers are responsible for complying with the rules of fair promotion based on the principle of the employee’s “ability, experience, behavior, work performance and demonstrated potential” (Global Policy, 2009, p. 1). Moreover, managers have clear guidelines towards employees’ development in order to add value to the business. Additionally, appropriate opportunities,
direct coaching and feedback to each employee is in basic for leadership development (Ibid., p.2). All the decisions made by line managers have to be in compliance with the Code of Conduct and they must implement measures to ensure that the company’s values are in the foundation of AZ employment relationships. Mutual respect, investment in human capital, respect of diversity lies in the center of the human resources policy. This policy is in line with AZ’s focus on emphasizing the responsibility of managers regarding CR issues. Each corporate unit is responsible for the implementation of CR practices into daily operations and for the compliance with AZ’s legislation and policies.

Another Global Policy regulating AZ’s daily operations is related to Providing Information about the products the company commercializes. In this sense, this policy is related to the communications but with a particular focus on the communication about AZ’s:

“products must be truthful, fair, accurate and not misleading, as well as sufficiently complete to enable the recipient to form his or her own opinion of the therapeutic value of the product concerned” (AZ Providing Information about our Products Global Policy, 2009, p. 1).

This policy gives the guidelines the organization must comply with when entering a dialogue with its stakeholders, such as Healthcare professionals and organizations, patients and internal stakeholders (Sales and Marketing or R&D activities).

Regarding the products AZ launch in the market, the Company must comply with:

“requirements to support product quality in the development, manufacture and distribution of active pharmaceutical ingredients, medicinal products and devices” (AZ Quality and Regulatory Compliance Global Policy, 2009, p. 1).

According to this policy, the company should comply with AZ’s General Laboratory Standard, International Codes and Standards, and regulations for Good Laboratory, Good Clinical and Good Manufacturing Practice, local regulations and requirements from the countries to which products or data are supplied, must also be satisfied. Following Carroll’s categorization in his pyramid, this policy obeys to the stage of legal responsibilities.

Then, the organization regulates the way in which company assets should be treated by their employees and it sets the basis for responsible management of the organization’s risks and assets. This policy establishes:

“a framework for functions and managers to follow when implementing and maintaining internal controls covering financial matters, and security” (AZ Safeguards of Company’s Assets and Resources Global Policy, 2009, p. 1).

Therefore, as mentioned above in the strategy of the organization, once again the responsibility is brought down into the day-to-day business operation.

Last but not least, Safety Health and Environment (SHE) Global Policy which is a policy that enables the organization’s engagement with their internal and external stakeholders in a deliberative way by “communicate openly and transparently” with their stakeholders (AZ SHE Global Policy, 2009, p. 1). This policy states AZ’s commitment to:

“operating our business in a way that protects personal health, well being and safety and the environment” (Ibid.).
As stated above, the Global Policies are supportive to the Organization’s Code of Conduct and together with the organizational structure, represent the company’s CR strategy. As shown and explained in the Analytical Framework in Chapter 2, the CR Strategy, affects and is affected by the management response towards the organizational field and, affects and is affected by the organization’s CR Practices.
6 Conclusions, Recommendations and Suggestions for Further Research

In the final Chapter, answers to the research questions will be presented in the conclusions section. Further, in the recommendation section, we will construct a set of suggestions for the studied company within the CR Practice and Stakeholders engagement. Additionally, opportunities for further research in the field of study will be exposed.

6.1 Conclusions

The greatest challenge today is how corporations and managers deal with business ethics vis-à-vis their organizational field and their stakeholders’ network. Stakeholder engagement is increasingly viewed as one of the touchstones of good CR Management. Freeman (1984) argues that this ‘larger system’ view of the corporation is a necessary condition for managerial success in the current environment but it is not sufficient. Therefore, a main task of business today is to identify to whom they are responsible. Some authors argued that the real challenge today is not only how to manage stakeholder’s relationships but how to co-exist in a shared community.

The purpose of the present master thesis was to understand how the pharmaceutical industry develops CR practices. Our key research focused on AZ, in its organizational field in Sweden. Scandinavian countries are characterized by the welfare model and seen in the forefront of CR Practices. In studies regarding CR in Scandinavian countries, it has been shown that their cultures, politics and societal backgrounds play a key role in their engagement with the organizational field. Denmark, Sweden and Norway are characterized for having strong consensualist and corporatist, extensive social and environmental public policies and for its participatory values and these characteristics had influenced their business culture. As it is stated in the institutional theory, CR patterns in the Scandinavian countries had been and are being influenced by their domestic political and economic institutions, therefore, local context is being interpreted by the local management. We argue that these characteristics stand as a cornerstone for the effective engagement of the company with its organizational field through deliberative based dialogues.

In order to answer the main research question, we addressed two sub-research questions in this research study: What is the role of the company towards its organizational field and stakeholders’ network in the construction of CR practices and What is the role of the Policies, Codes and structure of the organization in the CR practices.

In order to answer the mentioned questions, we developed a theoretical model based upon the institutional theory, stakeholders theory, deliberative democracy model and business ethics. The model argues that the organization is operating within a complex organizational field where the interrelation among the different stakeholders groups influence the company’s CR Policies, codes and the structure of the organization.

Regarding the role of the company towards its organizational field and stakeholders’ network, the organization uses a deliberative model in its dialogue and engagement with its environment. The pharmaceutical industry, in particular, AZ Sweden, faces a challenging organizational field context in the sense that it needs to balance all the stakeholders’ demands and expectations. Further, the business is highly regulated by the state due to the social good it commercializes. As argued by the institutional theory, the organizational field and the stakeholders’ network provide the building blocks for the organizational practices
which become legitimate as they are shaped by the expectations and what is desirable within the social constructed system of norms, values and beliefs. The way in which AZ Sweden relates to its institutional field is through the deliberative based dialogue. The outcome of the process is the reciprocal relationship among the different parties involved, the respect towards the group-building relationship, the learning about the societal needs, stakeholders interests and demands and the creativity in the problem solving reached thorough the argumentative deliberative process. This model contributes to the development of trust and legitimacy. In this sense, it is shown how the organizational field influences and become determinants of the organization’s CR practices.

Regarding the role of the global policies, the code of conduct and the organizational structure in the CR practice of the organization, it was shown that all business activities are founded upon ethical behavior and regulated by the policies and codes as well as supported by the CR team in the organizational structure. Therefore, it was argued that the organization CR strategy is working towards a more responsible business and this value stands as a core to the sustainable development of the business.

6.2 Recommendations

Based on the theoretical model presented in Chapter 2 and used to analyze the AZ Sweden Case, we would like to highlight some points to those managing CR practices in AZ Sweden and globally, to all the stakeholders within the organizational field and to other actors involved in debates over CR.

- The organization should imitate the national CR governance groups and management frameworks, by normative isomorphism which stems from professionalization, utilized in the more developed countries where the main business hubs are located. The CR practices should be transferred to those countries where governmental policies and social institutions are weaker and therefore, private engagement in the social arena is demanded.

- In relation to the above recommendation, we argue that the organization should transfer the deliberative model practices used in AZ Sweden stakeholders’ engagement. However, the main shortcoming that may arise in the transfer of this business practice is that the local governmental stakeholders differ to the Swedish welfare governmental stakeholders and, therefore, they will influence differently AZ local engagement.

- The organization should strengthen the global and local policies towards CR by taking into consideration the particularities of each region. Global CR governance should be further integrated with AZ’s subsidiaries and the awareness of local stakeholders should be improved.

6.3 Further Research

After conducting the present research project, we argue that further studies should be conducted. The theoretical framework may be implemented and adopted by any industry in the process of construction of CR practices. The universalism of the presented model gives an opportunity for the application of it in a broader perspective. The flexibility of the mentioned model lies in the ethical foundation and values which are shared by the companies, no matter their profile. Therefore, we argue that the model could enrich CR decision making processes and practices in every company.
Further studies could also aim to the analysis of global CR governance built upon the local engagement in CR practices. An interesting case may be developed if this study is conducted in every subsidiary as it will enrich global CR practices. Tension among the local and global CR management functions will arise and the organizations will face the challenge of balancing the pressures and creating a global integrated practice. Additionally, complementary researches could be conducted to show the interrelation between CR practices and the Reputation of the company.
7 References


Dryzek, J. S., (2002). Deliberative Democracy and Beyond: Liberals, Critics, Contestations, Oxford University Press Published by Oxford University Press


8 Appendix I

Complete Name:
Current Position:
Formal Responsibilities:

- How long have you been working for Apoteket AB?
- Which are the distinctive characteristics of managing Apoteket AB?
- How is Apoteket’s AB relationship with the pharmaceutical industries? In particular, is Apoteket AB involved in a stakeholder dialogue with AstraZeneca (AZ)?
- How are the pharmaceutical agents maintaining a relationship with Apoteket AB?
  How is the price fixing process and which factors are influencing it? What government documents are regulating this issue?

What do you think are the future challenges with the privatization of Apoteket AB regarding the relationship with the pharmaceutical industry? (in particular AZ)

9 Appendix II

Complete Name:
Current Position in AZ:
Formal Responsibilities:

- How long have you been working for AZ?
- Which are the distinctive characteristics of managing CR in the pharmaceutical industry?
- When was Corporate Responsibility (CR) integrated into the Business Strategy?
- How is the organization structured today to deal with CR matters?
- What is the level of involvement of AZ's top management in the CR program?
  - [ ] Extremely High
  - [ ] High
  - [ ] Moderate
  - [ ] Low
  - [ ] No Involvement

- Is CR embedded within the company culture?
How do you see AZ Sweden regarding its CR practices?

- Extremely Embedded
- Embedded with some limitations
- Moderate
- In the process of embedding it into the corporate culture
- It is not embedded

How does AZ Sweden work with CR issues? Does it cooperate with other organizations, institutions?

How does AZ Sweden engage with their local stakeholders? (prioritization, dialogue, follow up, outcomes, pressure, context)

- Who are the stakeholders currently? (cooperation with other institutions, other companies, customers, government, NGOs)
- Which are the most important and influential stakeholders currently?
- Who are your potential stakeholders?
- How does each stakeholder affect the business?
- How does AZ affect each stakeholder? Could you provide us specific examples about it?
- If any problem occurs between AZ and its stakeholders, how does the company solve it? What is the role of Dialogue in the mentioned situation?
- How does AZ keep score with its stakeholders?

What are the current external factors that affect AZ and their stakeholders? (inflation rate, GDP, media image, corporate identity)

How does AZ Sweden monitor the ethical behavior of its employees? Does the company’s Code of Conduct is sufficient for these issues?

- Does AZ develop special trainings on ethical behavior? Is the training mandatory?
  - Yes, for all employees
  - Yes, but only mandatory for some employees
  - No

- How would you rate the level of awareness of the Code Conduct (or ethical principles) among employees in your organization?
How does AZ Sweden monitor its performance in relation to CR matters? How does it show the results and accomplishments?

What type of documentation does AZ Sweden have regarding CR?

What are the future challenges for AZ Sweden regarding CR matters?

Further Information:

1. Please describe your organization’s projects and initiatives that benefit society at large and/or the local communities where your organization operates
2. Please describe your organization’s projects and initiatives aimed towards workforce wellbeing
3. Please provide examples of your organization’s corporate discourse on issues of business ethics, compliance, governance, social responsibility
4. Please list all awards and recognitions received by your organization in the past five years regarding Social Responsibility Practices
5. What mechanisms does your organization use to ensure suppliers compliance with ethical and legal standards?
   - [ ] Supplier Code Conduct
   - [ ] AZ conducts periodic supplier audits to ensure compliance
   - [ ] Suppliers are required to obtain a third-party certification for ethics and compliance
   - [ ] AZ provides suppliers with ethics and compliance training