

# Roche, csr essay



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Case Sustainability Initiative at Roche Table of Contents Introduction3  
Sustainable development: the triple bottom line3 Economic, social and  
environmental responsibility3 Social responsibility: the key elements5  
Corporate Responsibility Innovation at Roche5 What is corporate  
responsibility? 5 Corporate responsibility according to the Roche corporate  
brochure6 Target of responsibility as reflected in reported organizational  
structures, policies and practices. 7 Gaining competitive advantage through  
Corporate Responsibility8 Social Responsibility in Pharmaceuticals Industry.  
Criticism and Evidence. 10 Corporate Social Responsibility Activities of Roche  
Finland12 Conclusion13 Introduction In this assignment we will discuss the  
topic of sustainability and we will apply it to Roche, one of the leading global  
pharmaceutical companies. We will first discuss what sustainability is and  
stands for by looking at the three components; social, economic and  
environmental sustainability. After that, we will describe what Roche sees as  
its key elements in its efforts to be socially responsible.

We will also look at the corporate brochure, and look at the claims they make  
about corporate social responsibility and sustainability. After investigating  
Roche's claims about their corporate social responsibility, we will search for  
reflections of their values in their organizational structure, policies and or  
practices. Besides analysing their sustainability and social responsibility  
efforts, we will also focus on the effects it has on their corporate reputation.  
Do the company's initiatives go beyond enhancing its reputation? And if so,  
is it at all possible to use charitable efforts to improve the company's  
competitive context? In addition, we will look into the criticisms that are  
made in the last couple of years of pharmaceutical companies not being

socially responsible. We have reviewed several critical statements, and their reasoning. Lastly, we will discuss the corporate social responsibility activities of Roche Finland.

Sustainable development: the triple bottom line Economic, social and environmental responsibility Sustainable development has been defined in many ways, but the most frequently quoted definition is from Our Common Future, also known as the Brundtland Report : “ Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. ” Sustainability is built up by 3 aspects, namely economic, social and environmental sustainability. It is also possible to use the 3P’s; People (social), Planet (Environment) and Profits (Economic). Social development means that the needs of people must be equally met.

People’s primary needs are things like access to medical care, suitable housing, food and sanitation, but also happiness, safety, freedom, dignity and affection. As demonstrated on Sustainability-ED Web site, the social aspect of sustainability addresses these needs by promoting equality, education and participation in local communities . Economic sustainability is not only about achieving economic growth every year; it is also about improving the quality of life and the environment at the same time.

Environmental sustainability is mostly addressed by the society today. As natural resources are no longer abundant, and we are using them at a more rapid rate than they can be replaced by nature, we are exhausting our planet. Actions to improve the environmental sustainability are programs that reduce the use of non-renewable resources, adoption of recycling

process, the use of renewable resources, redesign of production process that eliminate the production of waste or emissions, the protection of natural habitats and environments, etc.

In the Roche case we can see that the company intertwines the 3 aspects of sustainability. This is what Roche mentions in their report on People & Environment on their website: “ As a globally active healthcare company, Roche is committed to putting the principle of sustainable development into practice responsibly and appropriately. In doing so, we are conscious of the dynamic interdependence of economic, environmental and social factors. ” The company has always had a high standard of business ethics, and ever since its foundation in 1896 it had shown its social commitment through ethical business and philanthropic initiatives.

For the economic (Profit) aspect of sustainability, they perform well. In 2004 Roche was one of the world leading healthcare companies and the year report of 2008 (first half) there are numbers of growth in all product groups . The company has been growing and expanding their business through acquisitions and alliances in other parts of the world. Their good reputation adds significant value in the equity markets, and the company is listed on both the Dow Jones Sustainability Index and FTSE4GOOD Index. As for social sustainability, Roche has made several efforts to be active in this aspect of sustainability.

It is involved in community development programs. It also helps the local communities develop skills, by promoting education, research, arts and culture. The company made several donations and tries to provide people in

remote and poorer areas access to basic amenities. Because of the large scale and complexity of the healthcare problem in these areas, Roche decided to focus only on some key problems. Roche also facilitates research and development of new medicine. It also offers the medicine at low prices, and by making their more widely available by not holding patents on their medicine.

Roche aims to be environmentally friendly. The company is committed to increasing eco-efficiency by reducing energy utilization and CO2 emissions and implementing process optimisations. In 2001, Roche was included in several ‘green’ investment funds. Their Safety and Environmental expenditures were 554 million in 2001.

In 2007 Roche announced that it would add more hybrids to their sales fleet. Reportedly, Changing to hybrids in the Roche fleet will result in gasoline savings of more than 80, 253 gallons each year. Social responsibility: the key elements Owing to its long tradition of being a socially responsible company, Roche has been able to define the key elements of its socially responsible efforts. First of all, the company has a long history of business ethics which “are embodied in their corporate principles”.

The mission of the company is to “create, produce and market innovative solutions of high quality for unmet medical needs”. The mission of the company is to be executed in a responsible and ethical manner and with a commitment to sustainable development and at the same time respecting the needs of the 3P’s. Roche has set up a Corporate Sustainability (CSR) Committee to coordinate investment in policies and practices on sustainable

business. The focus on sustainability has several implications, from developing innovative drugs for unmet medical needs, to improving operational efficiency. Consequently Roche has integrated sustainability policies and practices into all its businesses.

In order to do that, Roche has identified the relevant sustainability issues arising from the business model and stakeholder expectations and analysed the link between these issues and Roche's economic success. From this information, Roche has developed KPI (Key Performance Indicators), so that the performance on these issues can be measured, monitored and improved.

Corporate Responsibility Innovation at Roche What is corporate responsibility? As mentioned in lecture 10, CSR begins where the law ends". Thus, it is about what companies do with regards to making a positive contribution to society above and beyond that which constitutes their legal obligations. Ashridge Business School study of corporate activities in Denmark (2005) identified seven main areas of CSR activity which can be divided into 31 classes . Also, CSR can be divided in three different actions; philanthropy, integration and innovation.

Philanthropy is described as an action outside of the firm's core business, as an extra activity which has as main goal image improvement and reputational impacts. Integration activities can be implementing new management and monitoring systems, rethinking of the raw material, and developing more efficient products etc. It is close to the existing business, and it aims to improve environmental and social aspects of the core business. Corporate responsible innovation is about launching new, more sustainable products/services. At the same time the firm must consider

customer needs, environmental challenges, stakeholder expectations and the technology infrastructure. Innovation adds service or other value to the product and can introduce new uses for externalities.

It is about enlarging the core business or developing a new business, and the expected benefit is to alleviate social and environmental problems. In the case of Roche, we can say that the firm is using all the 3 different types of CR actions. Corporate responsibility according to the Roche corporate brochure The case resents Roche as an inherently socially responsible company with a long history of ethical business practices and philanthropic initiatives. Roche claims to be a socially responsible and responsive organization.

This important statement implies commitment to achieve “ distributional equity, adequate provision of social services, including health and education, gender equity, political accountability and participation” . If we look at Roche corporate brochure, published on company’s website, it is easy to follow the commitment to corporate social responsibility, underlining company’s operations. To name some evidence, one needs to go no further than the first pages: the company’s presentation starts with the concerns of their customers, patients and doctors. The questions addressed are related not only to the patients’ health but also to the wellbeing of their families and the difficult decisions healthcare professionals need to make. All these concerns are covered by the company’s welcoming phrase: “ Life writes questions. We pursue the answers” .

In addition, the company presents its daily work as “ saving patients’ lives and helping millions of people around the world. We continuously invest in medical research and development to provide new drugs and diagnostic products for conditions such as cancer, AIDS, hepatitis, Alzheimer’s disease, rheumatoid arthritis and diabetes. ” This is clearly oriented at provision of adequate social services to a maximum number of people. Above all, the company brochure is focusing on presenting the company as an entity oriented to serve people and their important concerns in life, at the same time highlighting the competitive position of Roche in the pharmaceutical markets.

Since the brochure is a general marketing material, specific socially responsible initiatives are not presented in the paper. Instead, the company presentation conveys the image of a socially responsible company. There is, however, a separate section on the website devoted to corporate responsibility . Target of responsibility as reflected in reported organizational structures, policies and practices.

CSR is clearly deeply embedded in the corporate nature of Roche. On structural level, Roche has incorporated its commitment to stakeholders in “ management culture that conforms to modern standards of corporate governance and in the group’s policy of communicating transparently” . The Board of Directors represents the company’s shareholders and assigns the responsibility of the operational management of the company to the Executive Committee. This way the company ensures balance between agents’ interests and appropriate concern to different stakeholder groups.



Another area where the structural implementation of corporate social responsibility is visible is corporate performance measurement. If we look at the Key Performance Indicators brochure provided on the website, we can instantly notice that the indicators are categorized according to the different areas of corporate responsibility: economic and business performance, increasing value to shareholders and investors (economic responsibility); access to healthcare and patients benefits, commitment to employees, commitment to society and communities (social responsibility); and safety, health and environmental protection (environmental responsibility). In addition, since February, 2003 Roche has been committed to its corporate principles, which define the company's mission and values. If we analyze the proclaimed company's values, it is easy to notice that all of them are either explicitly or implicitly corporate responsibility-oriented. For example, "service to patients and customers" implies responsible treatment of stakeholders, while "commitment to responsibility" explicitly refers to it.

Over the past years, Corporate Social Responsibility (CSR) has been a topic of ongoing concern and discussion. A study conducted by IBM Institute for Business Value proves that a successful CSR strategy can improve the relationship and engage different groups of stakeholders, decrease costs and improve loyalty, besides the improvement in the corporate image. For example, CSR can "bring competitive differentiation and bring favourable positioning in the talent wars". If we look at the case with Roche, this statement holds true since the company presents its production as the one oriented on personal needs of individual patients which differentiates it from the competitors and also makes it more attractive as an employer, especially

in such humane area as pharmaceuticals. In addition, risk mitigation and cost reduction are important of implementing socially responsible initiatives on strategic level. The more Roche invests in research and education, the better become the technologies they use.

This not only improves the corporate image, but also makes production more cost-efficient. In addition, abundance of research helps ensure the necessary pipeline of new patents and even medicines, which is crucial in the industry. On top of that, social initiatives improve the atmosphere within the company. This, in turn, makes employees more motivated and productive. In addition, if managed properly, the social initiatives can offer direct cost saving in HR development, since if better-educated employees from more developed countries are willing to travel less developed countries to work, they will be able to provide on-job training for local employees without causing big extra costs. One more ongoing benefit of social responsibility of a company is the ability for quick response to market demands.

With the growing need of being able to prove its transparency, it's crucial that the company is able to present the information quickly and that it is not only true but attractive. In this respect, ingoing responsible approach to all activities within a company makes it fairly easy to present the necessary information. A more long term concern that may be evolving in Roche with the implementation of its socially responsible programs, is that those activities, that alleviate poverty in the less developed countries, actually help the company established its more profitable and loyal customer base. By educating and treating people, they help them become more productive,

thus increasing their consumption in the long run, including the consumption of drugs and preventive care.

Gaining competitive advantage through Corporate Responsibility One of the more popular notions about CSR is that “ Corporations can use their charitable efforts to improve their competitive context. ” by Porter and Kramer. We believe Roche is a good company to illustrate the statement. Already in the case was mentioned that because Roche was known for its social responsibility and responsiveness, their corporate reputation added significant value to the corporate brand in equity markets, with the company being listed in the Dow Jones Sustainability Index and the FTSE4Good Index. Over the years, there have been several opinions on how companies should behave as opposed to philanthropy. In the earlier days, the main market principle was designed by Adam Smith.

He created the idea of the invisible hand: by helping yourself, you help others. It was the main driver of the market economy, described by Wouter Bos, the Minister of Finance of the Netherlands, as “ turn greed into gold”. Pursuing greed benefits the society and selfishness was the main driver of the economy. However, there are some counterarguments against this concept. It is not said that selfishness leads to equal opportunities.

Another concept can be described as turn good into gold: by helping others, you help yourself. It is the concept of social capital; people are better off when others also prosper. There are good deeds that lead to profits and there are good deeds that are good because they are profitable. An example is Max Havelaar which started as a charity, but is now a profitable company,

due to the growing awareness of consumers concerning fair trade, which leads to a competitive advantage. Corporate social responsibility is becoming more important in order to be successful, it makes your business stronger, due to competitive advantages, and makes build a better reputation, which leads to greater goodwill.

A good reputation should build a relationship with stakeholders and have them act towards the firm in desirable ways. A good reputation can be established philanthropic efforts, investing in communities and making efforts to incorporate all sustainability principles in the organization's business. A positive reputation can help to attract and keep the best talent, it can lower your cost of capital, it should attract investors etc. But, we should also keep in mind that Roche is not the only firm that is operating in the business environment. Organizations do not operate in a vacuum, they have competition.

That is why for a reputation to be good; it should also differentiate the company from the competition. All in all, it can be said that charitable efforts, “ doing the good thing” can lead to a good reputation, and therefore competitive advantages. However, Michael Porter states that, in recent years, corporate giving has been failing substantially because there is too little alignment between giving practices and corporate objectives .

Companies have a responsibility to shareholders, and “ doing the right thing” is not longer enough rationale for corporate giving or a guide to how corporations can truly benefit society. According to Porter, philanthropy can be used to enhance competitive context, as it aligns social and economic goals and it can also improve a business' long term operating prospects.

It means not just giving money to the needy, but also leverages its capabilities in support of charities. This is what we described before as CSR integration and innovation. Aligning strategy and charity, a company not only gives money, but should also donate skills and capabilities.

Implementing this context-focused approach requires a disciplined approach, but it can make an organization's philanthropic activities significantly more effective. Companies with higher reputations tend to do better financially, but this financial success does not just come from being charitable.

Therefore companies that desire a high reputation must be concerned with how their communities and environment perceives them to be, and CSR is an important part of building a good reputation. Social Responsibility in Pharmaceuticals Industry. Criticism and Evidence. Given the strategic approach to CSR in Roche it is crucial to analyse the public opinion of the state social responsibility in the industry. Unfortunately, pharmaceuticals companies often come under criticism for not being socially responsible. What do the critics say? Their biggest concern is that drugs are priced out of the reach of disadvantaged groups.

In reaction, pharmaceutical companies state that prices reflect the real product development and manufacturing costs. Last year, Philippe Pignarr wrote a book " Le grand secret de l'industrie pharmaceutique" about his 17 year experience of work as an executive in the industry. In his opinion, drug companies do not do enough research; instead, they just sell the same existing medicine for a higher price (without changing anything about it). He also claims that they literally invent illnesses.

Another example about price abuse, took place in the US. In 2008 the US senate has asked the federal agencies to investigate the unusual price increases of certain long-established drugs after it was reported that some of the pharmaceutical companies have wilfully engaged in the abuse of price power, according to PharmaTimes . These companies engaged in prices at a level above the costs of research, development and manufacturing. An extreme example of abnormal price abuse is illustrated by the following: in 2006, the drug Indocin cost around 108\$, but when the drug was acquired by a different company, the prices skyrocketed to 1, 500\$ , which is a 1278% increase! The practice of “ disease mongering” by the pharmaceutical industry is the promoting of non-existent diseases and or exaggerating negligible ones. This is done to improve profits and sales, according to a set of essays published by the journal Public Library of Science Medicine . Conditions such as female sexual dysfunction have been promoted by companies to sell more of their drugs.

Other negligible problems are also becoming increasingly “ medicalised”, and risk factors such as high cholesterol levels are being presented as diseases. Another criticism on the industry is that they generate a lot of money on their own, but they still also benefit enormously from publicly funded research. While the big companies have patent protection on their products, they also partner up with universities, which give them access to public funded money. In short, the most important criticism of the drug industry is that they are too much profit-oriented. As response, the companies claim that their research is extremely costly.

Creating a new drug and introducing it to the market can cost from 350 - 800 million euros and can take up to 15 years, as previously reported by Domenec Mele . The companies claim that their current prices are good for society, and thanks to price freedom the U. S. produces and consumes more new drugs than anywhere else.

That is precisely one of the criticisms of the activists; they accuse the companies of focusing only on the most lucrative markets, while neglecting the poorer countries. As for Roche, which tries to appear as a socially responsible company in their promotional efforts such as their website, brochure etc, we cannot be sure if they are stretching the truth a bit and covering some not-so-attractive facts. For example, we found an article about Roche being suspended from the Association of the British Pharmaceutical Industry (ABPI) after adverse findings over its promotion of the weight-loss drug Xenical . Also, in an article about CSR unfolding controversies around product safety, questionable marketing practices, the high cost of drugs and patent protection issues Roche was also spoken about. The research rewarded the company with a C-, accusing it of responding too slowly to requests to make its own products—especially its HIV/AIDS drugs—more accessible in developing countries. Surfing on the internet, there were not many sources with criticism or ugly facts about Roche, but of course this does not mean that they do not exist.

Corporate Social Responsibility Activities of Roche Finland  
In Finland, as in other countries where it is present, Roche has been working on being a truly socially responsible company. Aligned with one of its corporate goals to fight cancer, Roche has supported the Pink ribbon (Roosa nauha) campaign for 3

times in Finland. Together with AstraZeneca and Lindex, Roche organized a series of educational lectures in 10 cities. Over 1300 people attended the events and Roche contributed 1 EUR per person to the Pink ribbon Fund. During 2007, there was raised altogether 250 000 EUR, which was spent to help 4 000 women across the country. In the previous year the fund raised 200 000 EUR to provide 8 research grants.

In addition, the company is also concerned about personal development of employees. As a result, Roche has launched a program enabling employees to contribute their skills to least developed countries. According to the company's media release the secondment policy builds on Roche's innovative activities to improve health in Least Developed Countries, by exploring ways in which the capabilities of the company and its employees can be used to make a positive difference. The Roche secondment policy is open to all full time employees who have had a minimum of five years service with Roche and have demonstrated consistent high performance. Generally, each secondment is anticipated to last between 3 and 18 months, depending on the project.

Roche employees are invited to identify and join suitable projects in the world's Least Developed Countries, as defined by the United Nations. Yet another Roche's corporate social responsibility area is research and education funding. In the year 2007 Roche gave provided 1000 EUR to support education in nephrology of 4 nurses (3 nurses from Haapajarven dialyysiyksikko and Taru Lehtimaki, TAYS). During the same year Roche awarded Ulf-Haken Stenman for research in clinical chemistry. Ulf-Haken Stenman is MD, is head of the Hormone and Tumor Marker Laboratories at <https://assignbuster.com/roche-csr-essay/>



Helsinki University Central Hospital and professor of clinical chemistry at Helsinki University in Finland and became the first Finn to receive the grant from Roche Foundation.

Conclusion All in all, having analysed the information available about Roche and the leading thought on the topic of corporate responsibility, we can draw several important conclusive statements. First of all, for a company to become a genuinely responsible, it is important to understand the aspects of corporate social responsibility and be able to embed all of them in the nature of the company. Probably even more important, is that while pursuing the effort to become responsible, the company should stay profitable and, preferable, find ways to increase profit by being socially responsible. To our mind, Roche is a good example of such a company: they are able to support different groups of their stakeholders in a mutually beneficial way. However, it is possible that Roche is covering the truth, as we found some evidence or criticism about the CSR of Roche.

In addition, we have observed that a truly responsible company succeeds in applying the responsibility concept to all levels of the organisation so, that the very heart of it would be responsible. Then, the rest of the organisation becomes more responsible. For example, in the case of Roche, the way the company sees its mission and values, presents itself to the external world and organises its activities is in line with the responsibility concept. As mentioned above, it is also crucial to remember, that responsible initiatives within a company not only improve the reputation of the company, but also immunize the health of the whole organisation. Being a company, which went far beyond improving reputation, Roche is a good example of the

additional benefits corporate responsibility can bring. However, no industry is without a blemish and pharmaceuticals are no exception.

We analysed the most important reasons behind that thought, one being the unjustifiably high profit-orientation of pharmaceutical companies. With all this in mind, we have presented several examples of responsible initiatives by Roche in Finland to illustrate how the company is able to bring unique value to its different stakeholders even being in rather stable and prosperous environment.