

BUSINESS ETHICS AND CSR IN PHARMACEUTICAL INDUSTRY IN THE CZECH REPUBLIC AND HUNGARY?

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Abstract

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How do business ethics and CSR form part of pharmaceutical business in the Czech Republic and Hungary? The question was analyzed through empirical studies where surveys were the main tool. The research investigated business ethics, CSR, ethical code, ethical involvement of employees as factors that might be important to achieve ethical behaviour in the pharmaceutical industry. Results showed that, with 69.4% response rate, that Czech and Hungarian original companies are more towards ethical behaviour and the employees know more about the organization they work for. The data were compared with parametric statistical analysis based on Mann-Whitney U calculator.

Keywords: business ethics, CSR, pharmaceutical industry

INTRODUCTION

Since the late 20th century there have been reports of unethical activities by members of the organizations in many industries. A survey from year 2000 showed that 48% of respondents stated that they were unethical at work (Mathis *et al.*, 2010). Another survey done in South Africa in the IT sector showed that 65% of respondents believed that by being ethical a company can increase the profit in long term (Charlesworth *et al.*, 2004). The examples of unethical behaviour are: false information, gifts, cooperation for money, unfair settlement, higher margin, description of tenders for one specific company, etc. (Lőrinczy *et al.*, 2015). The response for such behaviour was implementation of ethical conduct.

According to Crane and Matten (2010), business ethics concentrates on “grey areas” of business or where values are in conflict. There are several reasons why business ethics is important. It is possible to mention at least 3 of them: the power and influence of a business in the society, the potential of business to provide major contributions to the society (producing the products and services that we want, employment, paying taxes, and acting

as an engine for economic development), and business malpractices have the potential to inflict enormous harm on individuals, communities and on the environment. A survey of over 1,000 UK employees working in public and private sectors found that one in three workers did not consider their employer to be fair (Goodcorporation, 2013). Another survey of nearly 2,000 Hong Kong executives revealed that more than 40% of those with operations in China had encountered fraud (KPMG, 2015). The situation in pharmaceutical industry is even more important to be observed. The fact, that pharmaceutical industry is a good business, cannot be refuted – at least on the stock market. According to Formánek (2014) even American Food and Drug Association approved a drug with only 10% efficiency if it was safe. The majority of the governments intervene in the pharmaceutical industry to assure the quality, safety and efficacy of medicine (Davidova *et al.*, 2008).

It is legal but is it ethical? To keep a good position on the market, companies would do whatever it takes – some of them including unethical behaviour, such as:

- *Industry-funded ghost writing* – the practice whereby drug companies pay medical writers to write drafts

or final versions of research articles and then seek for academics to become the identified authors.

- *Publication bias* – drug companies are under no obligation to publish the results of research they have funded. A recent analysis found that a third of antidepressant trials conducted for FDA approval were never published, and most of these were negative.
- *Prescription data mining* – drug companies purchase information from pharmacies about doctors' prescribing habits.
- *Gifts to doctors* – drug companies have traditionally given doctors gifts, ranging from pens and sandwiches to trips to Caribbean resorts (Carlat, 2015).

The organizations who try to have global competitive advantage would often get harmed by their own employees who need to behave unethically at work. Ethics in transitional economies is still more illusion than the reality therefore the ethical behaviour is becoming important part for companies who want to compete globally (Fülöp *et al.*, 2000). Organisations wish to improve profitability to reach their decision-making strategies and this is why incorporate ethics into them is important (Kay *et al.*, 1998).

The relevance of the ethical organization in transitional economies has been emphasized. Bigger significance can be observed in the pharmaceutical industry that has direct impact on human beings. In the Czech Republic and Hungary production of medicines is an industry with long-term perspective. Not only because of the increase in population but also because of the increase in medicine consumption (Fond, 2015). This is not the only similarity between the Czech and Hungarian pharmaceutical industry. Others are: market size, FDI income, code of ethics, substitution law, etc. (Lőrinczy, 2013).

Ethical behaviour of pharmaceutical companies is the main subject of this paper. The main goal of the paper is to evaluate and compare the ethical level of the pharmaceutical companies in the Czech Republic and Hungary. The main focus is on the difference of ethical behaviour in generic and original companies.

METHODOLOGY AND DATA

The empirical study through surveys was done between 2013 and 2014. In these 2 years were contacted original and generic pharmaceutical companies in the Czech Republic and Hungary. Organizations of all sizes within the pharmaceutical cluster in the Czech Republic and Hungary were represented in the responses which were gathered. The original pharmaceutical companies represented 50% and the same number for generic companies. The research was focused mainly on working positions such as marketing manager, product manager, sales manager, area sales manager or sales representatives. Demographical data showed that

65% were male respondents and 35% were women. There was none who would not finish high school education. And majority was working for the same company more than 3 years.

One hundred and forty questionnaires were distributed in the Czech Republic and Hungary amongst 120 organizations. In average, one questionnaire was sent to each organization. In total 110 questionnaires were filled however only 100 were replied completely. The number of respondents was the same in the Czech Republic and in Hungary. Each participant had a questionnaire to fill in. A mailing list of participants was compiled and questionnaires were sent via e-mail. Research assistants contacted non-respondents via phone and email to encourage them to return completed questionnaire. A total of 100 completely filled questionnaires indicate a 69.4% response rate.

After data collection, questionnaires which were not completely filled in were rejected. For data comparison parametric statistical analysis based on Mann-Whitney U calculator was used.

RESULTS

The questionnaire was designed and developed with assistance of 4 universities from the V4 countries. The survey consisted of the following parts: Ethical institutions where the answer options were "Yes", "No" and "I do not know"; About myself, About stakeholders of my company, About my company where the questions were based on different levels of the scale assigned the numerical values 1–5. The level of measurement is an interval scale which allows for parametric statistical analysis based on Mann-Whitney U calculator. The third part consisted of 2 open questions and the last part was used to obtain demographical information of the respondent. To ensure that the survey measures the concept it was supposed to, quick interviews with representatives of few companies were subjected. Feedback was used to improve the survey and check the importance of the topic.

The last section requested respondents to provide general demographical and biographical information. These were used to highlight different groups and based on that the comparison was done. The replies were compared on the basis of company type (original or generic).

The main research question for this study can be formulated as follows: "Do original companies behave more ethically than generic ones?"

Based on the above surveys the following hypotheses were tested:

Hypothesis 1: The pharmaceutical companies behave ethically.

Statistical hypothesis testing was used where the significance level was set to 5%. There were 18 test questions where the replies were set by 5-point ordinal scales. As mentioned before, the different levels of the scales were assigned by values 1–5.

I: *It happened before that I behaved in an unethical way during my work (even in minor issues)*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	P
534.5000	-4.92908	0.000001	-5.06465	0.000000	50	50	0.000000

Resource: Own research

II: *I am aware of what company documents (e.g. code of conduct) states about unethical behavior*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
678.5000	3.93637	0.000083	4.103241	0.000041	50	50	0.000058

Resource: Own research

III: *It is always clear for me what the ethical behaviour means in my job*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
458.0000	5.45646	0.000000	5.72795	0.000000	50	50	0.000000

Resource: Own research

IV: *My company regularly takes into account ethical principles in marketing and advertising field*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
151.0000	7.57286	0.000000	7.89881	0.000000	50	50	0.000000

Resource: Own research

V: *My company supports/sponsors activities in its local community*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
768.0000	3.31937	0.000902	3.470514	0.000520	50	50	0.000773

Resource: Own research

VI: *Unethical behaviour is quite common in my company*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
81.00000	-8.05543	0.000000	-8.34958	0.000000	50	50	0.000000

Resource: Own research

VII: *It is almost impossible to work in a completely ethical way in every aspects of our business*

U	Z	p-value.	Z (corrected)	p-value.	N valid. (pharmaceutical – original)	N valid. (pharmaceutical – generic)	p
951.5000	-1.98542	0.047099	-2.04492	0.040864	50	50	0.046394

Resource: Own research

The results of the analyses are summarised in the Tables above.

Hypothesis Testing Gave the Following Results

The hypothesis in questions 1–7 was rejected. The pharmaceutical companies do not behave ethically therefore not all individuals know about

ethical politics in their company. The main question of the research can be answered in following: Based on data we can agree that original companies behave more ethically than generic ones.

The same result was obtained from the questions “Yes”, “No”, “I do not know”. The majority of the respondents from generic companies replied

“No” or “I do not know” to the questions such as: “Did your company indicate a person responsible for ethical behaviour and/or CSR?”; “Does your company have clear procedures when unethical behaviour occurs?” or “Does your company have exact rules and procedures of anticorruption policy?”.

Very small percentages of respondents indicate that their organizations would have clear procedures of all ethical and CSR activities. In many companies is not even a person who would dedicate time to these activities. The open question showed that the employees are many times misled in their work. The respondents indicated namely the unethical practices that are used in their company. 70% of respondents were from generic companies.

DISCUSSION

The research highlights certain characteristics of ethical/unethical pharmaceutical companies. Respondents were asked to respond to the questions which should show whether the pharmaceutical companies behave ethically or not, if they implement more strict ethical procedures and if they use CSR practices in daily bases. There were 3 types of questions: first type was “Yes”/“No”/“I do not know” questions, second type were a 5-point Likert scale questions ranging from “strongly agree” (5) to “strongly disagree” (1), the third type were open questions.

The first type of questions indicated that the generic type of pharmaceutical companies behave less ethically. Therefore the second types of questions were tested to confirm this initial statement. From the Tabs. 1–7 certain deductions can be made such as:

- ethical behaviour at work,
- awareness of company documents,
- ethical principals,
- ethical job,
- sponsors activities.

From the analysis it can be stated that in general pharmaceutical companies do not have clearly set procedures for ethical and CSR activities. The original ones started to implement more and more ethical issues due to pressure from associations. The generic pharmaceutical companies still do not have strict rules which would help the employees not

to be misled in their work. The majority of generic companies do have Code of Ethics but nobody really cares about its indications. Question number 6 indicates that unethical behaviour or practices is common mainly in generic companies ($p > 0.05$). On the other hand generic companies do support more all sponsor activities.

As far as the p-values are concerned, all the values from the questions are smaller than 0.05, indicating that there is significant difference. However, to support the result, other 2 types of questions were used.

The research examined also the comparison between Hungarian pharmaceutical industry and Czech pharmaceutical industry. The result was that the companies in these countries behave in a very similar way which we had assumed before survey. There was only one disparity in the question “Ethical concerns were crucial reasons why I started to work for my company”. In this particular question the respondents from the Czech Republic were more in agreement with this statement. The majority of Hungarian responses were strong disagreement.

In the past decade the concept of business ethics and CSR was common topic in the news. There is big pressure on pharmaceutical companies to implement strong ethical rules to the company's strategy. From the governments point of view there is higher control on the pharmaceutical business and from the people's point of view there is higher transparency. Also Jose Luis Valverde (2012) stated in his article that the pharmaceutical industry's reputation has come under fire concerning the lack of transparency around its relationships with governments and the health community. The analysts and the news papers condemn the disconnection between the self-serving proclamations of “high ethical standards” and the reality of pharma's conduct. “The regulation of the prosecution of the pharmaceutical fraud it is too completely different in United States, EU and other countries. It is very important for the sector react with efficacy. It is one challenge for the companies and for preserve the huge historical contribution in the health. Our society need to preserve this patrimony and increase his efficacy. Building trust and transparency are indispensable in the new policy on corporate social responsibility in the pharmaceutical industry” (Valverde, 2012).

CONCLUSION

The purpose of this article was to present the situation of business ethics and CSR in pharmaceutical industry in the Czech Republic and Hungary. Moreover, data from an empirical study were analysed and interpreted where the ethical and CSR situation in generic pharmaceutical companies and original ones in these two countries were compared. The key findings of the empirical research can be summarized as follows: The majority of generic pharmaceutical companies do not behave more ethically than the original pharmaceutical companies and the individuals do not know all ethical and CSR rules in their company. In spite of that, the majority of respondents believe that the implementation of these rules would help their work and moreover foster the success. They believe that ethical behaviour would be beneficial for the organization.

A possible limitation of the research was the will to reply from the respondents' side and the truthfulness of responses, as well. Not all pharmaceutical companies wanted to cooperate in this particular research due to sensitive information. The study could have been extended to further countries and this in turn could have resulted in higher response rate. However, we believe that these 2 particular countries have a lot in common that is why we decided to compare only these countries. The importance of this study is to give general overview of the ethical situation in the pharmaceutical business in two CEE countries. We believe that it will have impact on the future of the concerned business itself. There is already by now a big tendency to increase transparency in this particular industry and in the future the companies will slowly change to the responsible ethical organization. As Du Ning-Ning (2014) writes in the article "Continuing study on the realization social responsibility of pharmaceutical enterprises not only promote the pharmaceutical enterprises to undertake their social responsibilities positively, but also provide the establishment mode of social responsibility for other industries in the society" (Du Ning-Ning, 2014).

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