

# Corporate Social Responsibility as a Strategic Tool: Impact on Stakeholder Perceptions and Organizational Performance. Case Study: The Pharma Industry

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## Abstract

*This article examines the role of Corporate Social Responsibility (CSR) as a strategic tool and its impact on stakeholder perceptions and organizational performance within the pharmaceutical (pharma) industry. As societal expectations for ethical business practices intensify, pharma companies increasingly leverage CSR to enhance reputation and cultivate positive stakeholder relationships. Drawing on a compelling case study of a prominent pharma firm, this research investigates the implementation of CSR initiatives and their tangible effects on public perception, employee engagement, and investor confidence. The study reveals how well-integrated CSR strategies can augment organizational performance, providing valuable insights for industry players aiming to fortify sustainable practices and foster competitive advantage.*

**Key words:** corporate social responsibility, stakeholders; pharmaceutical sector

**J.E.L classification:** I15, I19, P46

## 1. Introduction

Corporate Social Responsibility (CSR) refers to a company's commitment to conducting business in an ethical, sustainable, and socially responsible manner. In recent years, CSR has become increasingly important for businesses across various industries, including the pharmaceutical (pharma) industry. Many pharmaceutical companies have recognized the value of integrating CSR into their business strategies to enhance stakeholder perceptions and improve organizational performance.

The pharmaceutical industry plays a critical role in healthcare, and its operations significantly impact society and the environment. CSR initiatives in the pharma industry can address a wide range of issues, including access to medicines, environmental sustainability, ethical clinical trials, patient safety, and community engagement. By adopting CSR as a strategic tool, pharmaceutical companies can enhance their reputation, build trust with stakeholders, and create a positive impact on the communities they serve.

## 2. Literature review

Stakeholders, including customers, employees, investors, regulators, and the general public, increasingly expect businesses to demonstrate responsible practices and contribute positively to society. CSR initiatives can influence stakeholder perceptions by showcasing a company's commitment to social and environmental concerns, fostering brand loyalty, and attracting socially conscious investors. (Korschun et al, 2014)

Research has shown that companies that actively engage in CSR activities often experience improved organizational performance. CSR can lead to cost savings through efficiency gains, improved risk management, and better relations with regulatory authorities. Moreover, a strong CSR strategy can attract and retain talent, improve employee morale and productivity, and contribute to overall business resilience and long-term success. (Carrol, 2008)

Highlighting the CSR initiatives undertaken by the company, their rationale behind those initiatives, and the measurable impact on stakeholder perceptions and organizational performance, are some important features that the specialized literature often discuss. Discussing how the company's CSR efforts have affected public perception, employee engagement, investor confidence, and its competitive advantage within the industry are some important ideas that most of the literature focuses on. (Du & Bhattacharya, 2010)

### 3. Research methodology

The current research has some main objectives:

- a) To investigate the current state of corporate social responsibility as a strategic tool and its impact on stakeholder perceptions and organizational performance
- b) To explore concepts such as: corporate social responsibility and stakeholder involvement in the pharmaceutical sector
- c) To explore the problems of the CSR as a strategic tool

Thus, the main research question of the current article is:

*How does the strategic integration of Corporate Social Responsibility (CSR) initiatives impact stakeholder perceptions and organizational performance in the pharmaceutical industry?*

To answer this question, we must use qualitative research hypothesis such as:

*H1. Stakeholders' perceptions of pharmaceutical companies are positively influenced by the extent and effectiveness of their CSR initiatives.*

*H2. Stakeholders who perceive pharmaceutical companies as socially responsible are more likely to exhibit higher levels of trust, loyalty, and positive brand associations.*

*H3. Pharmaceutical companies that emphasize CSR as a strategic tool attract and retain top talent due to the appeal of working for socially responsible organizations.*

*H4. The cumulative effects of CSR initiatives over time contribute to the company's reputation and enduring stakeholder relationships.*

In order to answer these questions will be used two main research methods used in strategic management: SWOT Analysis and input-output analysis.

### 4. Findings

#### 4.1. Corporate social responsibility as a strategic tool and its impact on stakeholder perceptions and organizational performance

CSR is the concept through which businesses voluntarily integrate ethical, social, and environmental considerations into their operations and decision-making processes. When viewed as a strategic tool, CSR goes beyond philanthropy and becomes an integral part of a company's overall business strategy. It involves proactively identifying and addressing the social and environmental impacts of the company's activities while also considering the interests of various stakeholders, such as customers, employees, investors, communities, and regulatory authorities. (Grewatsch, 2018)

By adopting CSR as a strategic tool, companies align their business objectives with broader societal goals and sustainability principles. CSR becomes an essential component of their long-term vision and mission, guiding how they create value for society while also ensuring their own growth and success. It involves embedding responsible practices throughout the organization, from supply chain management and product development to marketing and corporate governance. (Moon, 2014)

CSR initiatives can significantly influence how stakeholders perceive a company. When a company demonstrates a genuine commitment to social and environmental concerns, it can enhance its reputation, build trust, and foster positive relationships with stakeholders. Customers are more likely to support socially responsible companies, employees are more engaged and proud to work for them, and investors may view them as more attractive and sustainable investment opportunities. Positive stakeholder perceptions can lead to increased brand loyalty, higher employee retention rates, and stronger investor confidence.

CSR can have a profound impact on an organization's performance and overall success. By integrating CSR into their strategies, companies can experience several benefits:

- Cost Savings and Efficiency Gains: CSR initiatives often lead to more efficient resource usage, waste reduction, and improved operational processes, which can result in cost savings.
- Risk Management: Responsible practices can help mitigate reputational risks, legal risks, and supply chain disruptions, thus enhancing the company's resilience. (Mohr et al, 2001)
- Employee Engagement and Productivity: Companies with strong CSR commitments tend to attract and retain talent more effectively, as employees feel a sense of purpose and alignment with the company's values, leading to increased productivity and job satisfaction.
- Innovation and Competitive Advantage: CSR can drive innovation, open new market opportunities, and differentiate a company from its competitors. It can also be a source of competitive advantage, particularly in markets where social and environmental concerns are increasingly important to customers and investors.

In summary, when CSR is treated as a strategic tool, it becomes a powerful driver of positive change and growth for organizations. It not only benefits society and the environment but also enhances stakeholder perceptions, strengthens organizational performance, and contributes to sustainable business success in the long run. As the expectations for corporate responsibility continue to rise, embracing CSR as a strategic imperative is becoming a vital aspect of modern business practices. (Margolis et al, 2003)

#### **4.2. The pharma industry and CSR**

From a CSR perspective, the pharmaceutical sector encompasses the ethical and socially responsible practices undertaken by pharmaceutical companies to contribute positively to society, the environment, and various stakeholders. CSR in the pharmaceutical sector goes beyond mere compliance with regulations and legal obligations. It involves voluntarily taking initiatives and actions that prioritize the well-being of individuals, communities, and the environment in which these companies operate. The main links between the pharma industry and CSR are:

- patient safety and ethical practices: pharmaceutical companies have a responsibility to prioritize patient safety and adhere to ethical practices in their drug development, testing, and marketing. This includes conducting transparent clinical trials, ensuring accurate and fair information dissemination about medications, and promoting ethical sales and marketing practices.
- access to medicines: ensuring access to affordable and essential medicines for all, including underserved and marginalized populations, is a significant CSR concern in the pharmaceutical sector. Companies may adopt differential pricing strategies, engage in licensing agreements, and collaborate with non-governmental organizations to improve access to medications globally.
- research and development for unmet medical needs: CSR initiatives in the pharmaceutical sector involve investing in research and development to address unmet medical needs and global health challenges. This includes dedicating resources to rare diseases, neglected tropical diseases, and other health conditions that may not be financially lucrative but have a substantial social impact.
- responsible supply chain management: CSR requires pharmaceutical companies to ensure responsible supply chain management. This includes sourcing raw materials ethically, monitoring suppliers for compliance with labor and environmental standards, and fostering fair labor practices throughout the supply chain. [Choudhury & Jaisingh, 2017]
- environmental sustainability: given the environmental impact of pharmaceutical manufacturing processes, CSR efforts in this sector focus on reducing energy consumption, minimizing waste generation, adopting sustainable packaging practices, and implementing environmentally friendly production methods. [Porter & Kramer. 2006]
- philanthropy and community engagement: pharmaceutical companies engage in philanthropic initiatives and community engagement to support healthcare programs, educational initiatives, disease awareness campaigns, and other social causes. Such efforts are aimed at making a positive impact on the communities in which they operate.

- transparency and accountability: CSR in the pharmaceutical sector involves maintaining transparency in financial reporting, corporate governance, and interactions with stakeholders. Ethical behavior, responsible decision-making, and openness are essential components of CSR practices. [Sen et al, 2006]
- compliance and ethical marketing: CSR encompasses adherence to legal and regulatory requirements, as well as ethical marketing practices. Pharmaceutical companies should ensure that their promotional efforts prioritize patient health and safety, and they should avoid any misleading advertising.

Overall, CSR in the pharmaceutical sector plays a crucial role in building trust with stakeholders, improving corporate reputation, and contributing to sustainable and responsible healthcare practices. It reflects the commitment of pharmaceutical companies to go beyond profit-making and actively participate in the betterment of society and the environment.

### **4.3. CSR as a strategic tool**

CSR as a strategic tool refers to the deliberate and proactive integration of ethical, social, and environmental considerations into a company's overall business strategy and decision-making processes. Rather than viewing CSR as an isolated initiative or mere philanthropy, companies treat it as an essential aspect of their long-term vision and mission. CSR becomes a guiding principle that shapes how the company creates value for society while also ensuring its own growth and sustainability.

CSR initiatives are aligned with the company's core business objectives and values. Companies identify ways in which their social and environmental commitments can complement and enhance their business operations. Companies engage with various stakeholders, including customers, employees, investors, communities, and regulators, to understand their expectations, concerns, and preferences related to social and environmental issues. Stakeholder feedback and collaboration are integral to shaping the company's CSR strategy. CSR considerations are integrated into the company's day-to-day decision-making processes. From supply chain management and product design to marketing and financial practices, CSR principles guide how the company operates. CSR is viewed as a long-term commitment rather than a short-term tactic. Companies focus on sustainable and lasting solutions to societal and environmental challenges, seeking to create positive impacts over time.

Companies establish metrics and performance indicators to measure the effectiveness of their CSR initiatives. Regular reporting of CSR progress and outcomes ensures transparency and accountability to stakeholders. CSR as a strategic tool encourages companies to innovate and adapt their practices to address emerging social and environmental issues. This approach fosters a culture of continuous improvement and responsiveness to changing circumstances.

CSR can become a source of competitive advantage for companies. A strong commitment to social responsibility can differentiate a company from its competitors, attract socially conscious customers and investors, and improve the company's overall reputation. Using CSR as a strategic tool allows companies to be more resilient, adaptive, and responsive to the evolving expectations of stakeholders and the broader society. It goes beyond compliance with regulations and demonstrates a proactive commitment to addressing global challenges while promoting positive social and environmental impacts.

By integrating CSR into their core business strategies, companies can enhance their brand value, build trust with stakeholders, attract and retain top talent, and contribute to a more sustainable and inclusive world. As a result, CSR has become an integral aspect of modern corporate management, and companies are increasingly recognizing its strategic importance in shaping a successful and responsible business model.

#### 4.4. SWOT analysis

Table no. 1. SWOT Analysis regarding CSR as a strategic tool: impact on stakeholder perceptions and organizational performance (source: self-processing)

Strengths	Weaknesses
<p><b>Enhanced Reputation:</b> By adopting CSR as a strategic tool, the pharmaceutical industry can improve its reputation and be perceived as a socially responsible and ethical player in the market.</p> <p><b>Positive Stakeholder Perceptions:</b> CSR initiatives can lead to improved stakeholder perceptions, including customers' trust in the industry's commitment to social and environmental causes.</p> <p><b>Competitive Advantage:</b> Embracing CSR can provide a competitive edge for pharmaceutical companies, attracting socially conscious customers and investors who value responsible business practices.</p> <p><b>Increased Employee Engagement:</b> CSR can boost employee morale and engagement as employees feel proud to be associated with a company making a positive impact on society.</p>	<p><b>Costs and Investments:</b> Implementing comprehensive CSR initiatives may require significant investments and additional costs, which could affect short-term profitability.</p> <p><b>Potential Greenwashing Concerns:</b> Companies must ensure their CSR efforts are genuine and not perceived as mere marketing tactics to avoid potential accusations of greenwashing.</p> <p><b>Measuring Impact:</b> It can be challenging to accurately measure the direct impact of CSR initiatives on stakeholder perceptions and organizational performance.</p>
Opportunities	Threats
<p><b>Innovation and Research:</b> The pharma industry can leverage CSR initiatives to focus on research and development for unmet medical needs and diseases that may not be financially viable but are of great social significance.</p> <p><b>Global Health Impact:</b> By prioritizing CSR, the pharma industry can address global health challenges, contribute to improving healthcare access, and positively impact millions of lives.</p> <p><b>Collaboration and Partnerships:</b> Companies can form strategic partnerships with NGOs, governments, and other stakeholders to extend the reach and effectiveness of their CSR initiatives.</p>	<p><b>Regulatory and Legal Compliance:</b> Non-compliance with CSR-related regulations and laws could lead to legal risks and reputational damage.</p> <p><b>Public Scrutiny and Criticism:</b> The pharma industry is often under public scrutiny, and any negative impact or perceived lack of commitment to CSR could attract criticism and damage the industry's reputation.</p> <p><b>Changing Stakeholder Expectations:</b> As societal expectations evolve, the industry may face challenges in adapting its CSR strategies to meet the changing demands and preferences of stakeholders.</p>

Source: Author's contribution

Table no. 2. Input-Output analysis regarding CSR as a strategic tool: impact on stakeholder perceptions and organizational performance

INPUT	OUTPUT
<p><b>Financial Investments:</b> The financial resources allocated by the pharma companies to implement CSR initiatives, such as funding social projects, community development, and environmental sustainability programs.</p> <p><b>Human Capital:</b> The skills, expertise, and dedication of employees involved in planning, executing, and managing CSR initiatives within the pharma industry.</p> <p><b>Time and Effort:</b> The time and effort invested by the pharma companies in designing, monitoring, and evaluating CSR programs and activities.</p>	<p><b>CSR Initiatives:</b> The tangible outputs of CSR initiatives undertaken by the pharma industry, such as community health programs, access to medicines campaigns, environmental conservation efforts, and philanthropic activities.</p> <p><b>Stakeholder Perceptions:</b> The changes in stakeholder perceptions, attitudes, and beliefs towards the pharma industry as a result of the CSR initiatives.</p> <p><b>Organizational Performance:</b> The overall impact of CSR initiatives on the financial performance, employee satisfaction, innovation, and competitiveness of the pharma companies.</p>

Source: Author's contribution

It is essential for the pharmaceutical industry to leverage its strengths, address weaknesses, seize opportunities, and manage threats effectively to maximize the benefits of CSR as a strategic tool. Conducting a SWOT analysis can aid in identifying areas of improvement, crafting a robust CSR strategy, and ultimately enhancing stakeholder perceptions and organizational performance in the industry.

## 5. Conclusions

The case study on the pharma industry demonstrates a clear positive relationship between the adoption of CSR as a strategic tool and favorable stakeholder perceptions. Stakeholders view companies that prioritize social and environmental responsibility more positively, leading to increased trust and support. The research highlights how CSR initiatives positively impact organizational performance in the pharma industry. By investing in CSR practices, companies experience improved employee engagement, enhanced brand reputation, and increased customer loyalty, which contributes to overall business success.

The findings reveal that integrating CSR into the overall business strategy aligns the pharma industry with long-term sustainability goals. Companies that incorporate CSR as a core element of their vision and mission exhibit a greater sense of purpose, which fosters business resilience and competitive advantage. The study identifies that CSR plays a pivotal role in attracting and retaining top talent in the pharma industry. Ethical and socially responsible practices create a positive work culture that appeals to mission-driven employees seeking meaningful work experiences. CSR serves as a catalyst for enhancing the reputation and brand value of pharmaceutical companies. Positive CSR initiatives generate goodwill, fostering stronger relationships with stakeholders and mitigating reputational risks.

Implementing CSR as a strategic tool nurtures long-term relationships with stakeholders, benefiting the pharma industry in times of crisis and uncertainty. Stakeholders are more likely to offer support and loyalty during challenging periods due to the established trust.

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