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**Pursuit of Social Legitimacy**  
**A Case Study on Rhetorical Strategies Used by the Six Largest  
Pharmaceutical Companies to Restore Social Legitimacy**

## Abstract

Legitimacy has become one of the most critical issues for corporations, and especially for the global pharmaceutical industry, which is facing a fading reputation and increasing industry mistrust. Over the past few years pharmaceutical corporate social legitimacy has been threatened due to ethical misconduct such as kickbacks, unethical marketing, fixed pricing, and extensive use of patents. This has led to a civil society demand of scrutiny of pharmaceutical conduct, resulting in an upsurge of ethical corporate guidelines. The main aim of this case study is to gain a better understanding of rhetoric strategy used by the six largest global pharmaceutical companies in their codes of conduct to restore social legitimacy. The purpose is to analyse the discourse in their communicated codes, and to grasp the essence in their publicised documents, which have arguably been constructed as a trust-gaining strategy. In this way, the case study will illuminate how the codes of conduct are used to restore social legitimacy. This assessment could shed light on the codes of conduct as mere “window dressing”, a way of portraying the companies as more ethical than they are. On the other hand, codes of conduct as representing a core strategic document empowering the ethical corporate conduct of these pharmaceutical companies. This case study analyses the public available codes of conduct of the pharmaceutical companies using rhetoric analysis to find the key rhetoric arguments used to restore social legitimacy. By using Castelló and Lozano (2011) framework, eleven key arguments were found, linked to three different forms of rhetoric in the corporate discourse: strategic, institutional, and dialectic. Each of these forms of rhetoric refers to different forms of legitimacy. In addition to the rhetoric analysis, a determination of code of conduct typology was carried out. This research suggests that the pharmaceutical codes of conduct contain three forms of legitimacy: pragmatic, cognitive and moral. In turn, these were found to be a mixture of rule-based and principle-based codes of conduct. As supported by contemporary literature, a tendency of increasingly communicating moral legitimacy is proposed found in this study to restore social legitimacy.

Keywords:

Codes of conduct, Legitimacy, Globalisation, Rhetoric strategy, Pharmaceutical industry, Society

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## Chapter 1 – Introduction

### Background

Technological advances have made possible the interchange of ecological, economic, social, and cultural products and ideas in the last decades due to the age of globalization. The forces of economic globalization, political transformation and technological innovation have increased the global research and the influence of the private sector (Nelson 2004, Logsdon and Wood 2005). This increased contact between all continents has facilitated the possibility for global industries to have the world as their market. Multinational companies have become members of a global society and where companies previously mainly had domestic obligations, now the interplay between the company and its stakeholders has evolved into a global corporate citizenship.

Today, a current trend seems to be that the global companies voluntarily put large emphasis on their codes of conduct in their ethical business strategy (Lim and Tsutsui 2012). Simultaneous, there is a growing attention in the media and in the public to unethical behaviour and environmental, economic, and social impact of businesses. The necessity of ethical guidelines seems more crucial than ever. Expectations from society of companies' contribution to the world go beyond producing high quality products and following laws and regulations. There is now a demand for companies to have an obligation to improve development and empower the societies they operate in on a global scale, and to be financially and non-financially accountable in all levels of their business performance (Nelson 2004, Logsdon and Wood 2005).

One industry that is operating on a global scale and is facing complex demands in global social responsibility, global corporate citizenship and sustainable development is the pharmaceutical industry. In 2014, it reached nearly one trillion U.S. dollars in total revenue (Statista 2015). As in other global industries, ethical considerations and responsible business have become the organisational norm, and have become impossible to neglect. As a result, there is a considerable growth in the development of codes of conduct communicated throughout the industry (Lim and Tsutsui 2012). The pharmaceutical industry makes all stakeholders aware of their exemplary activities and commits itself to even better behaviour through published documents. With elaborative guidelines the industry made the stakeholders aware of that they are engaged in honourable, moral and truthful ethical behaviour. On the

other hand, the popular press released credible stories of exploitation in developing countries, price fixing, and avoidance of employment regulations (PWC 2006).

### **Pharmaceutical Reputation**

During the last two decades, there has been a change in the pharmaceutical industry. Mergers, acquisitions, and consolidations of companies have increased, and an increase of “blockbuster drugs”<sup>1</sup> has entered the public market. Simultaneously, there has been a decline in innovation leading to new development of pharmaceuticals (Bauchner and Fontanarosa 2013). Additionally, some companies have incurred major fines due to unethical and illegal behaviour at various company levels (Bauchner and Fontanarosa 2013). According to the annual Financial Times and PricewaterhouseCoopers (PWC) reputation rankings, the pharmaceutical industry remains one of the least represented (PWC 2006). Only a few maintain their position over the most reputable companies. From a global perspective the view of the pharmaceutical industry is positive, however in several key markets is weak, especially in US and western Europe (Ipsos 2012). Leading pharmaceutical companies are perceived to be good when comes to product quality and industry leadership. However, in being good global corporate citizens the perception of the companies has changed (Ipsos 2012). In the Ipsos Global Reputation Centre research on reputations for the pharmaceutical sector, they have found a strong relationship between favourability toward the industry and that of the major players in the sector. This is seen in many different countries, where ratings of the industry and of the leading companies are equally low in some countries and high in other (Ipsos 2012). Patient View, a research and publishing company focusing on the patient agenda, reported that in 2014 the pharmaceutical sector excelled in innovative capabilities and the ability to ensure patient safety. However, the majority of those questioned, did not believe that the industry was excellent or good in its other activities (Patient View 2015).

One of the major reputation demolishers is price setting. According to Corporate Watch, the recent years mergers and consolidations in industry have made a market domination that enables the big pharmaceutical giants to dictate prices (Corporate Watch 2015). Compared to inflation rates, pharmaceutical prices have risen steeply. Also, there have been critics of price elasticity where quantity demand of product has no or little influence on prices. Critics have identified high fixed prices as a major factor contributing to high profits in pharmaceutical

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<sup>1</sup> An extremely popular drug that generates annual sales of at least one billion US dollars for the company that produces it. A blockbuster



industry (Corporate Watch 2015). Further, it is argued that patients will not change the demand for a product with small price changes when no close medications or substitutes are available.

The pharmaceutical industry is one in which saving lives and improving community health is their mission, but low public opinion is cause for reflection. An important question is whether consumers and stakeholders hold incorrect perceptions of the pharmaceutical industry. The PWC research (2006) on the pharmaceutical industry in *Translating Expectation Into Action* claims that whether or not its misconceptions or accurate perceptions is irrelevant (PWC 2006). The industry should put effort into restoring trust as a central tenet. The PWC research indicates the need for an enhanced focus on transparency and information for the consumer and stakeholders, which is supported by sustainable programs designed to promote compliance with law and regulation. This could help restore the industry's reputation while respecting the legitimate need for pharmaceutical companies to promote their products, and contributing to the greater good of patient health (PWC 2006).

A major contributor to the fading reputation is legal misconduct. In the United States Department of Justice between 2009 and 2013, five settlements, including civil and criminal fines were over \$1 billion (Department of Justice 2012) The legal claims have varied in particularly three areas: public health care fraud (Medicare and Medicaid fraud), off-label promotion, and inadequate manufacturing practices. These are all corporate conduct that pharmaceutical companies claim to be central ethical tenets. GlaxoSmithKline's \$3 billion 2013 settlement was the largest, and was implicated by all three ethical misconducted. A survey done by PatientView in 2015 shows a decline in reputation for the industry last five years, and especially in 2013 and 2014 after the largest legal issues.

### **Global Corporate Citizenship in the Pharmaceutical Industry**

Legal compliance and traditional social responsibility are not enough to gain corporate social legitimacy or corporate success, and can complicate corporate strategy, governance, and risk management. Former Kofi Anan advisor Jane Nelson at Harvard University argues that how global companies operates challenges the leadership in companies in three spheres. Since the process of how the company makes it profits, everywhere it operates, not only the final financial dividends and the use of this, now is recognised (Nelson 2004). First, aim to do minimal harm. Company leaders have to attempt to minimize company impact from their

operations in the areas of the local economy, human rights abuses, corruption, poor labour conditions, and the environment. Second, aim to do positive good. Global companies must emphasize innovation and development, to create new value for both the company and the communities in which they operate. Third, aim to engage society. As a global company the position of being global should be used to build institutions through its engagement in public policy and advocacy (Nelson 2004). To elaborate, global corporate social responsibility should be founded in the following four factors: values, value creation, value protection, and evaluation. This can not only be the foundation for sustainability and company success, but also can increase social and economic development in countries where the companies operate (Nelson 2004).

### **The Pharmaceutical Industry, and Critics of Ethical Behaviour.**

Reducing the focus on or not seeing the importance of global codes of conduct gives the pharmaceutical industry stakeholders a foundation for criticism (Nussbaum 2009, Logsdon and Wood 2005). Lefebvre and Miller (Lefebvre and Miller 2006) claim that pharmaceutical companies have an ethical obligation to society to provide people with fairly priced medications, something the leading companies currently fail to do, and therefore negatively influenced their social legitimacy. Some critical groups argue that the pharmaceutical industry exerts corporate inhumanity (Corporate Watch 2015). Corporate Watch made the radical statement that the pharmaceutical industry's high prices, immoral marketing, and abundance of poor and government alliances could be seen as crimes (Corporate Watch). The WHO (WHO 2006) identified several ethical issues the pharmaceutical industry address as strategic ethical actions. These include financial pressures, lobbying, global business and governance, pricing, access and marketing, and research ethics (WHO 2006).

Some claim that the focus of pharmaceutical industry is on the company shareholders bottom line, which is a competing focus with health care, medicine, and access to pharmaceuticals in which the patient should come first (Hirsch 2008). This industry dichotomy has put its ethical work in a dilemma instead of their rightful place in health ethics or in business ethics. In other words the pharmaceutical industry is “been stuck between a rock and a hard place”, belonging completely to neither field of ethics and the trust in the industry ethical frameworks becomes questioned as a result. This view is supported by Kelly (Kelly 2005) who claims a dramatic push by the global organizations to implement codes of conduct, but often overlooked is a process of creating a corporate culture that encourages ethical behaviour.

However, public communication about the ethical codes of conduct is intended to give legitimacy to the industry. Moreover, organisations that adopt codes of conduct are considered to be more legitimate and hence are more likely to survive (Meyer and Rowan 1977, Preston, Cooper, Scarbrough, and Chilton 1995). The global pharmaceutical industry problem lies in the codes of conduct, which can be used for social legitimacy of corporate activities, but are instead treated as fraudulent by the company communicating them.

### **The Nature of the Pharmaceutical Business**

The pharmaceutical industry is one of the largest (and oldest) global industries and therefore in the spotlight for several stakeholders in both a positive and negative sense. First, the industry is among the most respected and at the same time most criticised. This dichotomy derives from the role of supplying people with medications of vital importance and curing life-threatening diseases. On the other hand the industry does not provide medicine that is affordable for everyone. Second, and maybe most importantly is how the pharmaceutical industry is separate from other industries in the area of intellectual property. In the electronic industry, for example, patents are often shared among competitors through pooling or cross licencing, because a given product often contains several patented technologies (Lehman 2003). Patents in the pharmaceutical industry are different since the patents are often equal with the complete products. The costs of replicate and copy the products are minimal compared to the investments required in research and clinical testing (Lehman 2003). The need for patent agreement is considered crucial to sustain pharmaceutical investments. However, the globalisation of pharmaceutical patents is controversial and can be problematic in access to medicine, vaccines and healthcare especially in developing countries (Osuji and Umahi 2012).

### **Pharmaceutical Overview**

It could be argued that the pharmaceutical industry is like any other industry. It has similar components to consider such as producers of raw materials, producers of finished goods, research and development companies (R&D), marketing companies, and lastly, the consumer. What separates them from other industries is strict regulations, and that they are a very capital-intensive industry (Market Realist 2015). In the production part of this industry we find formulation manufacturers and producers of active pharmaceutical ingredients (API). There are mainly three types of pharmaceutical manufacturers First, API is the raw material used to manufacture drugs; it is very capital-intensive, and the materials require special

environmental conditions. Second, patented drugs are developed through “in-house” research, or through licences from other firms. The licenses from the patent holders permit drug production, often with very high profit margins. Third, generic drugs are off-patented and low priced, using no specific brand name in order to serve the public (Market Realist 2015).

Another part of the pharmaceutical industry is the Biotechnology and R&D. The companies are dependent on their “in-house” research and development or biotechnology companies to provide them with licenced patented products.

The last division before reaching the consumers is pharmaceutical marketing. Marketing helps the companies increase the market reach of drugs through facilitating sales with market networks and/or obtaining licenses that the pharmaceutical company lacks (Market Realist 2015)



Figure 1: Pharmaceutical Industry (Market Realist 2015)

### **Rationale for Study**

To understand the rationale for the study, it is important to shed light on the current position of the pharmaceutical industry and therefore question whether the industry is affected by its alleged unethical conduct. After much publicity on unethical behaviour, reputation flaws, and being in a favourable business situation, the global pharmaceutical companies ethical tools, code of conduct, relevance, and commitment may be in doubt. In other words, codes of conduct are worthless unless adopted and used for their intended purpose (de Kiewit and Kiener 2015). The codes of conduct could empower ethical behaviour, but could also be an alibi and therefore legitimate further unethical manners.

The position of pharmaceutical companies is one of the strongest and least cyclical of the global industries for several reasons (Market Realist 2015). First, in the last decades the average life expectancy has increased worldwide and changed the medical demands, which created a health transition and as result an aging population<sup>2</sup> (WHO 2015) An aging population means that people are living longer with their chronic diseases and often with several co-occurring diseases that also require medication. Second, changing lifestyles have led to unhealthy diets, insufficient exercising and lack of sleep which have been a factors in creating a new burden of diseases (WHO 2015). As a result of this transition obesity, cardiovascular diseases, and psychological issues have created a steady demand of medical help. Third, a growing middle class in both developed and developing countries have more disposable income and expectations of healthcare solutions (WHO 2015). As a consequence, this has created a new pharmaceutical demand in a population with more chronic diseases and more funds to be used on medications, placing the pharmaceutical industry in a business position beyond comparison to other industries (WHO 2015).

To be in such a position can lead to question on the use of their codes of conduct as when the need for medication is increasing due to the health transition, but medicine demand is little affected. This is due, some argue, to unethical company conduct (PWC 2006). How the pharmaceutical industry restores their social legitimacy, when the trust and reputation is decreasing in their key markets could be an important area for investigation.



Figure 2: Pharmaceutical Industry market conditions(Market Realist 2015)

<sup>2</sup> Health transition or epidemiological transition accounts for the replacement of infectious diseases by chronic diseases over time due to expanded public health, medication, and sanitation.

## **Chapter 2 - Literature Review and Theoretical Perspective**

### **Codes of Conduct and Legitimacy**

In this chapter is a review of research on codes of conduct in general and the pharmaceutical codes of conduct specifically is presented. AS well an introduction to the theory related to the pharmaceutical sector`s social legitimacy.

### **Codes of Conduct**

In the global scene, a state of anarchy is claimed, and to prevent being part of “the law of the jungle” globalized capitalism has required certain rules of game (Aydinli and Rosenau 2005). From a governmental attempt to regulate corporate activity a few decades ago, the last couple of decades have seen an increasing interest in corporate regulatory efforts. Heken Keller sees this as a response to a rising pressure for corporate ethical behaviour from several stakeholder groups, such as governments, international organisations, individuals, and private organisations (Keller 2008). Voluntary self-regulation through codes of conduct is seen as a useful strategy and a possible way to cope with a lack of global governance (Keller 2008). On the other hand, numerous researchers see the global self-regulating ethical guidelines as organised hypocrisy (Lim and Tsutsui 2012). Organisations can sometimes use the presence of a code as a badge of morality (Long and Driscoll 2007).

### **Definition of Code of Conduct**

Literature is filled with different terms for codes of conduct, and does not have any authorized definition. For example, codes of business ethics, codes of ethics, business principles, ethical guidelines, business codes, codes of practice, and codes of integrity are the various names used for this concept. In this paper, codes of conduct refer to:

*“A distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behaviour in multiple issues of at least it managers and employees toward one another, the company, external stakeholders and/or society in general” (Kaptein and Schwartz 2008).*

It can be argued that codes of conduct are the corporate language that is used to communicate to employees and stakeholders not only specific information on actions as bribery policy or conflict of interest, but also the company`s values and the degree to which it is concerned

with its ethical and citizenship responsibilities (Logsdon and Wood 2005, de Kiewit and Kiener 2015).

### **Codes of Conduct and Globalisation**

In the global scene, the increasing of interest in codes of conduct came about in the 1970s in the form of regulatory responses to the negative impact of the increasing power and influence of the trans-national companies. Developing countries appetite for foreign direct investments faded critically in the aftermath of huge global companies failures in actions regarding local economic, social and political issues (Keller 2008). Keller claims that the developing world perceived a threat to their sovereignty due to the growth of influence and corporate power (Keller 2008). In 1976, the Organisation for Economic Co-operation and Development (OECD) launched guidelines for international companies with an aim to establish voluntary self-regulation of employment, taxation, training, working conditions, and industrial relations (OECD 2011). Not only did inter-governmental regulations emerge in the 1970, but also a private self-regulative initiative occurred. In 1977, a private set of standards known as the “Sullivan Principles” was designed to guide companies operating in South Africa with the aim of changing apartheid practices (Keller 2008). In 1980, a public initiative from the UN produced the “Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices”(UN 2000). Except for these and a few other initiatives, the general interest in codes of conduct vanished to a lesser extent because of a neo-liberal and de-regulative shift in governmental attitude. Later, the ideas of free market and corporate self-regulation gained momentum, and a huge amount of corporate codes of conduct subsequently originated in the 1990s (Keller 2008).

### **Typology of Codes of Conduct**

As the variety, in form and origin, of codes of conduct is great, so are the actors at the global level. The differences between voluntary codes of conduct can come from a distinction between public and private codes. The global public codes stem from governmental representatives of international organisations. However, private actors develop the vast majority of codes of conduct initiatives (KPMG 2008). In a few cases individual actors have developed codes, but traditionally the development of codes of conduct recently increased rapidly within the corporate sector. In addition a growing number of codes are being developed by interest groups, including trade organisations, and human right organisations (KPMG 2008).

The codes can usually be divided into two main categories: corporate codes and industry codes. Corporate codes refer to the voluntary codes adopted unilaterally by individual corporations, these are developed without any external participation (Keller 2008). They either relate to the corporate operations, or they are designed specifically for the company suppliers. Industry codes, on the other hand, are designed by business associations representing the particular industry. In the pharmaceutical sector the main body representing the industry is the European Federation of Pharmaceutical Industries and Associations in Europe. An advantage of industrial codes is that they are completely neutral; in a competitive industry like the pharmaceutical sector, all are subject to the same codes of corporate conduct (Keller 2008).

### **Soft Law**

Codes of conduct as a co-operation based on instruments that are not legally binding, or whose binding force is somewhat “weaker” than that of traditional law could be labelled as soft law. Since it is not directly enforceable or binding, the terminology of soft law is controversial. In the international environment, with an absence of one legitimate enforcer of power, the development of soft law instruments is perceived, as a compromise required when co-operating in the globalised context. Companies then show reluctance to sign up on for too many commitments that could suppress national interests (Aydinli and Rosenau 2005, Keller 2008). However, as codes of conduct are not qualified as “hard law”, they make an adequate attempt at a normative approach to international law: they as either have to fall under the domain of binding law, or under the not-binding soft law (Keller 2008). Although codes of conduct as soft law are not legally binding, they belong to a category of social norms that have a certain legal relevance in influencing corporate conduct and decision making (Keller 2008). In the new globalised economic environment, codes of conduct have gained momentum because corporations are no longer only influenced by domestic regulations. Several state and non-state actors have an impact on corporate affairs, and a corporate need for inclusive, expansive and flexible guidelines to cope with social norms and demands emerges (Keller 2008).

### **Two Types of Codes**

Literature mainly differentiates between two types of codes, and differs regarding whether or not they include concrete standards and rules in the codes (de Kiewit and Kiener 2015, Keller



2008, Stevens 2009). The first type of codes is principle-based, with abstract expectations such as the mission, values, and/or responsibilities towards stakeholders. The second type of codes is rule-based, with detailed standards and rules for corporate conduct (de Kiewit and Kiener 2015). However, a more mixed version of codes is most common. In 2008, 52% of Fortune Global 200 (FG200)<sup>3</sup> companies, with a code of conduct were a mix between the rule-based and principle-based type of code. The rule-based are more detailed than the principle-based and are on average four times the length. They are more commanding, predominantly prescriptive, and more legalistic, and are mainly for internal use (de Kiewit and Kiener 2015). The principle-based codes are abstract and general and are usually a few pages. They are more positively formulated and more intrinsically driven. In contrast to the rule-based codes, the principle-based codes are also for external use (de Kiewit and Kiener 2015). Determining which is better depends on several factors, and there is a tendency for rule-based codes to increasingly include corporate mission, values, and responsibility towards stakeholders, and for principle-based codes to increasingly include standards and rules to make them more concrete.

In the pharmaceutical sector, the later years have seen a shift towards more rule-based codes being registered (EFPIA 2016). One explanation for this shift is that there has been a significant increase in legislations, regulations, and enforcements that require corporate rules in several legislative areas such as, export control, price setting, marketing, bribery, and sanctions, among other things (de Kiewit and Kiener 2015, Keller 2008). The opportunity to interpret legal requirements is minimal with the consequence that codes now contain detailed and comprehensive marketing directives and gift policies. Another explanation is that employees in the globalised pharmaceutical industry are seen as more autonomous professionals who are able to make sound and reasonable decisions within the corporate guidelines, and therefore empowering them to make the right decision is the goal (de Kiewit and Kiener 2015).

### **Prevalence**

Of the FG200 companies the majority has a code of conduct. A survey shows that currently the prevalence is 75% which is a decline from 2008, due to an increase of Asian companies in the FG200: only 42% of Asian companies in the FG200 have a code (de Kiewit and Kiener

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<sup>3</sup> Fortune Global 200 is an annual list compiled and published by Fortune, rank the 200 largest global companies by total revenue in their respected fiscal years.

2015). In Europe and North America, the numbers in 2014 were 88% and 100% respectively of the FG200 companies: 64% of the companies with codes older than three years have updated their codes during the last three years. The number of US based FG200 with written codes of dropped from 215 to 144 in 10 years from 2001 to 2011, whereas Asian-based companies increased from 116 to 188 in the same year period. When it comes to presence of codes of conduct in different regions, in 2008, the year of finance crisis, all US companies in the FG200 had codes, 80% of European companies, and only 52% of the Asian-based companies. By 2014, these numbers had increased in Europe to 88%, but decreased in Asian companies to 42%; this indicates that even when there is a worldwide decrease in the development of codes of conduct, the number of companies developing codes of conduct that are the US and European based has increased.

### **Contents of the Codes**

According to a study by KPMG in 2015, global corporate codes, on average, consist of several layers of information. The structure of these layers could be exemplified in four types of information.

The first layer is the mission and vision of the corporation. A mission formulates a strategic objective and states what the corporation stands for. A vision sets forth how the company views itself, and how internal and external factors influence corporate development (de Kiewit and Kiener 2015). An important finding is that the more detailed the code, the less frequently it contains a mission statement (de Kiewit and Kiener 2015). The second layer is the corporate core values, which are often derived from the corporate mission and focus on manager and employee intentions. They do not give direct instructions or indicate behaviours specifically. Such core values include respect, integrity, honesty, responsibility, trust, and teamwork among others. The third layer is the corporate responsibility to the stakeholders, where the mission and values are translated into a corporate understanding of stakeholder responsibility. Lastly, the fourth layer is the corporate standards and rules for managers and employees. It is often the most elaborate section, and gives guidelines on how managers and employees should act in situations where clear-cut rules are impossible or undesirable (de Kiewit and Kiener 2015). The most common issues involve confidential information, corruption and bribery, side-line activities (also called conflict of interest), and protecting corporate assets. These four layers are often integrated in the corporate codes and form the ethical foundation of the company (de Kiewit and Kiener 2015).

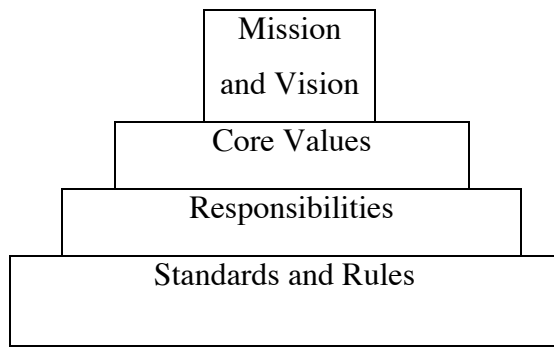


Figure 3: Layers of information. (de Kiewit and Kiener 2015)

### **UN Global Compact**

Applicable for the pharmaceutical industry is the policy that was proposed by former UN Secretary-General Kofi Annan in the World Economic Forum in 1999 and launched in 2000 at the UN Global Compact (GC), setting the standard of the Global Reporting Initiative (GRI). A voluntary initiative for companies to align strategies and operations with universal principles on human rights, labour, environment, and anti-corruption, and to take actions that advance societal goals, and a way of increasing legitimacy and trust when they serve as third-party agents in relation to corporate action (UN 2015, Pivato, Misani, and Tencati 2007).

The UN Global Compact initiates a wave of companies pledging commitment to human rights, labour standards, environment, and anti-corruption standards after international norms. A list of 10 principles makes the platform for interaction and learning among concerned corporations and other relevant actors for promoting these standards and principles (UN 2015, Lim and Tsutsui 2012). The UNGC has over 10.000 global corporate participants and stakeholders and is the largest voluntary initiative (UN 2015).

### **Human Rights**

Several researches argue that UNGC belongs to third generation ethics, an ethical understanding of conduct that goes beyond profit motives and the local environment (Lim and Tsutsui 2012). A major human right and global industry ethical question is the right to health care and access to medications. Since one of the main United Nation Millennium

Development Goals (UNMDGs)<sup>4</sup> is access to healthcare and access to affordable drugs in a global partnership with global pharmaceutical companies (UN 2016), the industry application and understanding of this that is implied is the pharmaceutical codes of conduct.

In the pharmaceutical industry, subscribing to the UNGC and UNMDG initiatives can be claimed as strategies to increase legitimacy and corporate trust. The UNGC is a way of communicating normative and ethical challenges, and when subscribed to, the ethical standards generated by the UN that pharmaceutical corporations have to adhere to provide these standards to keeping social legitimacy.

## **Legitimacy**

In the global economic environment legitimacy is a key factor for success, and encompasses normative, legal, sociological and cultural meanings (Brinkerhoff 2005). A classical reference to the core element in politics and governance in regimes is the Weberian relationship between the societal acceptance of regimes and institutions and their ability to exercise power and authority effectively (Weber 1947). Corporate legitimacy could be explained from a social perspective as the process of explaining and justifying. This means that legitimacy consists of a normative and cognitive element. Legitimacy does not only tell an actor in society why a certain action is the right thing, but it also tells why things are as they are (Suchman 1995, Tilling 2006). In a corporate setting, legitimacy is the process of explaining and justifying its existence, where the normative element is the reason why the corporate conduct is good, and also why within the corporate environment things are as they are in relation to stakeholders (Brinkerhoff 2005, Long and Driscoll 2007). Legitimacy empowers both stability and understanding of corporate activities, and contributes to continuity, since society will endorse organisations with desirable, correct, and appropriate conduct (Suchman 1995). At the same time, legitimacy will affect people's behaviour and how they interpret the organisation. Consequently, society perceives the legitimate corporation as more meaningful, predictable, and therefore more credible. In this way continuity and credibility reinforce each other (Suchman 1995).

In the pharmaceutical industry, the effort in research and development can be an example. If the pharmaceutical company succeeds in convincing the public that more R&D will lead to

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<sup>4</sup> UNMDG Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable drugs in developing countries. Monthly costs of medicines to treat chronic diseases are often equivalent to several days' salary of the lowest paid government worker.

innovation in new medicine and the R&D expense level depends on profit, the focus of increasing profit will lead to a maintained legitimacy for shareholders while not decrease legitimacy of the industry for the public.

In order to maintain legitimacy, the pharmaceutical industry has three options. First, expose themselves to social criticism and pressure from stakeholders by “doing business as usual”. This is seldom considered as a good strategy, since it can actually lead to a fading legitimacy, and even loss of legitimacy (Hasbani and Breton 2013, Suchman 1995). Second, trying to find any kind of certification that can build stakeholders trust in that the medications are developed with good intentions (Hasbani and Breton 2013). The third is to produce non-profit medications and vaccines, or another altruistic behaviour. Its argued that the second and third strategy the effort is to gain trust, and that leads to gained legitimacy (Hasbani and Breton 2013). In the case of the pharmaceutical sector, the most global companies argue strongly with aim of convincing the general public that increased profits equals with increases in new medications. This example from the pharmaceutical industry illuminates how dealing with issues of legitimacy, justifying actions and responding to stakeholder pressure can be handled.

From a pharmaceutical corporate perspective, the example of R&D shows how globalisation can lead to issues with legitimacy. Having corporate activity all over the globe implies corporate activity in a diversity of cultures with a variety of norms and opinions. To understand these norms it is crucial to understand how norms are constructed (Brinkerhoff 2005). Fischer and Lovell argue three levels of norms explaining the moral universe of society. First, numerous norms can be universal or “hypernorms”, and do not lead to any legitimacy issues (Fischer and Lovell 2009). However, universal or hypernorms are rather few, and therefore cannot give corporate guidance in detail (Fischer and Lovell 2009). Second, there are consistency norms, and these norms are culturally specific, yet simultaneously consistent with universal norms, and rarely cause any problems in global corporate conduct (Fischer and Lovell 2009). A source of concern in globalisation issues with legitimacy is the moral free space. In the pharmaceutical industry, a moral norm can be the testing of vaccines for contraceptive purpose, which is considered as reflecting good morals of the corporation`s country of origin, but is considered poor morals by stakeholders in other countries (Fischer and Lovell 2009).

### **Organisational Legitimacy**

According to Suchman, there was, for a long time, no consensus in the definition of organisational legitimacy, and there were two directions in how to define the concept. On the one hand, strategic typology emphasises that corporations manipulate and use symbols to gain societal support, while on the other hand institutional direction emphasises the cultural pressure in society that sets legitimacy outside of corporate control (Suchman 1995). The perspectives work together, since it is necessary to consider them strategically and understand the issues around institutional forces (ibid). Suchman claims that none of the directions has a clear legitimacy definition, and therefore states:

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman 1995) 574.

Pharmaceutical legitimacy is gained or restored if stakeholders consider the corporate actions desirable, and that desirability derives from a social construction of values (Stone 2014). In this matter, whether the pharmaceutical companies strive for active or passive support is an important aspect. A company with the aim of passive support indicates that the company wants to be left alone, and therefore legitimacy claims are low (Suchman 1995). To summarize, organizational legitimacy refers to the degree of cultural support for an organisation, the extent to which an array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction (Brinkerhoff 2005).

### **Three Types of Legitimacy**

The literature recognizes three types of legitimacy. Pragmatic, cognitive and normative, or what Suchman calls moral legitimacy (Suchman 1995).

Pragmatic legitimacy refers to that stakeholders giving legitimacy as long as they recognise benefits from it and it fulfils their self-interests (Suchman 1995, Carson 2015, Long and Driscoll 2007). This pragmatic legitimacy emerges as a function of exchange relationship between a company and its immediate stakeholders; this exchange relationship can be on a societal and an individual level (Suchman 1995). The ability to offer legitimacy is a resource stakeholders possess and can in consequence decide organisational survival and long-term sustainability (Brinkerhoff 2005, Long and Driscoll 2007). In the pharmaceutical industry

pragmatic legitimacy is possible to claim as long as customers sees benefit from buying safe, affordable, and accessible pharmaceuticals, corporations will have this type of legitimacy. Having societal pragmatic legitimacy is claimed to be a balancing act between developing and expanding a portfolio with safe medications, and keeping the products affordable and accessible. Pharmaceutical innovation on different diseases is more expensive than producing blockbuster medicine, so corporations have to decide what is more beneficial to be perceived as legitimate. This conflict could cause another conflict in being innovative or to providing beneficial medicines to consumers at an affordable cost.

Cognitive legitimacy is produced when a corporation pursues objectives and activities that society understands and values as appropriate, proper, and desirable (Suchman 1995). It presumes a subconscious understanding of the social context. This societal understanding, and its legitimacy production, comes from the extent to which what the corporation`s actions are perceived as making sense (Brinkerhoff 2005, Long and Driscoll 2007). Suchman presents two ways of how cognitive legitimacy can be identified. The first is “taken-for-granted”, and is extremely hard to accomplish. This type of legitimacy is one in which society accepts the corporation, its structures, procedures, and activities so completely as understandable and appropriate that no other option is imaginable (Suchman 1995). In other words, the cognitive legitimacy is embedded in the social construction of reality, and the behaviour of the corporation becomes a reflection of “a fact of life” (Suchman 1995). However, over time such reflections change to a greater or lesser degree, which indicates that taken-for-granted is not immutable (Brinkerhoff 2005). The other way is comprehensible, and is explained through a predicable and meaningful action by the corporation. If the corporation has cultural frames that allow them to describe the organisation as engaged in intelligible behaviour that produces acceptable products and meaningful results it is likely that the corporation will achieve cognitive legitimacy. Clearly, in the global pharmaceutical industry cognitive legitimacy is interesting. A vast majority of the global population directly or indirectly have a relationship to pharmaceuticals, but a minority lacks access to essential medications<sup>5</sup>. Still, in almost all countries an increase in life expectancy is present often because of vaccines and other pharmaceuticals. This development might indicate that the pharmaceutical sector operates within cognitive legitimacy; there is a subconscious understanding that this is a construction of society that serves the ambition to make people live longer and better, produced in a

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<sup>5</sup> <http://www.un.org/apps/news/story.asp?NewsID=50230#.VtRCMhpruko>

proper, desirable and appropriate manner. Negative or unfortunate actions in cognitive legitimacy could be considered a subconscious legitimacy. The pitfall is if subconscious understanding is replaced with conscious considerations of the corporate conduct, then cognitive legitimacy collapses (Brinkerhoff 2005). A cognitive legitimacy collapse in the pharmaceutical sector could occur if a company do breaches ethics, as GSK did in 2012, where it becomes obvious that the corporate conduct did not stick to their codes of conduct.

Normative, or moral legitimacy are a reflection of socially acceptable and desirable norms, standards, and values (Suchman 1995). Societal perceptions of corporate conduct in normative legitimacy include not whether they can derive benefits from the corporation, but whether or not the corporation is socially correct and desirable (Suchman 1995). This is the opposite of pragmatic legitimacy, and is therefore grounded in the right thing to do; conscious moral reflections on corporate conduct in a society are what the legitimacy refers to. In a more and more globalised environment, Palazzo and Scherer claim that there is a corporate necessity for gaining moral legitimacy since the loss of national governance and changes in lifestyles and values make pragmatic and cognitive legitimacy insufficient (Palazzo and Scherer 2008). The innovation in communicative channels makes unethical corporate behaviour gain attention faster, and information on corporate misconduct gets spread more widely. In the case of the pharmaceutical sector and their declining reputation, this could be an example of why public mistrust in corporate morality is decreasing. As codes of conduct are understood as the corporation's effort to minimize misconduct and play a positive societal role, there must be a normative conformity between society and corporation. Corporate legitimacy is based on the societal environment, and if the environment changes so does the foundation for legitimacy (Palazzo and Scherer 2008).

### **Strategies to Restore Legitimacy**

It is important to underscore the fact that legitimacy is managed through a bidirectional game between corporation and stakeholders, and is not a corporate asset (Hasbani and Breton 2013). To measure legitimacy, Suchman uses gaining, maintaining, and restoring, and in this master thesis, restoring is most interesting (1995). When legitimacy is lost through unique events, like the 2013 \$3 billion GSK settlement, which was due to kickbacks and unethical marketing, it is lost because stakeholders do not see the meaning of the corporation (Suchman 1995). The ethical framework of GSK could be perceived from a stakeholder's perspective as



a window-dressing; the company's intention to create a better life for people is simply a façade.

To restore legitimacy, discursive strategies are proposed through four actions: first, educate the public, second, change the perceptions of the public, third, manipulate perceptions in changing the focus of public interest, and fourth, change expectations (Hasbani and Breton 2013). Suchman suggests the strategy of restoring legitimacy through the two actions of normalising and to restructuring. In normalising the aim is to separate a specific event from the company as a whole, establishing a stakeholder understanding that the event is unique and is not in conjunction with the main aim and meaning of the company. (Suchman 1995) A strategy such as this was seen recently in the VW emissions scandal, where the blame was put on individual employees<sup>6</sup>. To achieve this, corporate management needs strategies. Suchman mentions denial, excusing, justifying, and explaining several possible strategies to use (Suchman 1995). Denial is not to deny the problem per se, but to deny that the scandal is a scandal for the company. However, if this denial turns out to be false it could cause an even bigger loss to legitimacy. The second strategy is excusing, where the company questions the moral responsibility of the scandal and transfers responsibility outside of the company domain. In this strategy, corporate instruments to discover unethical conduct will be questioned, and may indicate insufficient management. Third, to justify is to label the event as normal in industry culture and consistent with stakeholders' current moral standpoint. The fourth strategy is often used when the three above-mentioned strategies are inadequate. Explaining is to present the scandal as the public have perceived it (Suchman 1995).

The second action to restore legitimacy is restructuring. This approach involves the company taking the moral responsibility for a scandal. Suchman suggests two different sub-strategies for this strategy. The first is to invite, where the company seeks monitoring measures. In the pharmaceutical sector, this could include governmental regulations or legislations. This strategy does not instantly restore legitimacy, however it gives the public an impression of corporate devotion to prevention of a new scandal of the same character. The second strategy is to replace, and may be the most frequent. Replacement of leading responsible people is often used to convince stakeholders that corporate misconduct not will happen again

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<sup>6</sup> [https://en.wikipedia.org/wiki/Volkswagen\\_emissions\\_scandal](https://en.wikipedia.org/wiki/Volkswagen_emissions_scandal)

(Suchman 1995) This is also called boardroom politics, and in the case of VW was used to remove the CEO from his position.

In addition, some different strategic ways of restoring organisational legitimacy are mentioned by Suchman; these include the three categories of conforming, informing and manipulating (Suchman 1995). Conforming refers to conforming the corporate action to socially accepted norms and practice so that the company looks like other organisations. This is called isomorphism. Informing actions refer to communication components that fit with selected terminology, beliefs, norms, and symbols that have connotations to legitimacy. Manipulating actions refers to the communication in managing myths and symbols to create new beliefs and values through a manipulation of the cognitive legitimacy (Suchman 1995).

In order to restore legitimacy, establishing trust is the most central principle. In any bidirectional relationship, trust is the foundation to create legitimacy (Suchman 1995). Trust, reliability, and reputation are concepts with strong relations to legitimacy. It is essential that global corporations cope with societal expectations such as mission, action, performance, and emphasis on protecting and building on their reputation, that these are appropriate and ethical makes the company seem more trustworthy and reliable, which is the foundation to being accorded legitimate (Brinkerhoff 2005). The societal expectation of legitimacy can be explicit and formal through legal frameworks and implicit and informal constructed from shared meanings within societies (Brinkerhoff 2005, Stone 2014, Long and Driscoll 2007). What separates legitimacy from reputation is that reputation is characterised by the standing of one company relative to others, which can be assessed on a wide variety of organisational attributes including the extent to which they are perceived to be legitimate (Hasbani and Breton 2013, Brinkerhoff 2005).

### **Thesis Purpose and Aim**

The aim of this thesis is to gain a better understanding of the rhetoric strategy that the six largest global pharmaceutical companies use in their codes of conduct to restore social legitimacy. The purpose is to analyse the rhetoric in their communicated codes as well to grasp the essence of their produced publicised documents as to see if they can be interpreted as having an aim to gain trust.

Specifically, the purpose of this study is to illuminate how the codes of conduct are used to restore social legitimacy. This assessment could shed light on codes of conduct and to determine whether they are just a “window dressing” as a way to sound more ethical than they are, or if they are profound in their business strategy, as a core strategic document empowering their ethical corporate conduct (Stevens 2009).

### **Research Questions**

- What rhetoric key arguments does the global Pharmaceutical Sector use in their codes of conduct to assert social legitimacy?
  - What kind of legitimacy is communicated in the codes of conduct?
  - What type of codes of conduct does the Pharmaceutical Sector use?
  - Are UN global compact or other global initiatives included to promote social legitimacy?
  - How are different strategies used to respond to known ethical misconduct in order to regain legitimacy in the published documents?

### **Study Limitations**

This study has its limitations. The theoretical foundation of the research only includes legitimacy theory and reports on codes of conduct; the theoretical framework and study propositions only reflect these branches of knowledge.

The research focuses on the corporate public published codes of conduct, since the possibility to obtain internal communication was low. It is claimed that external communication, in this case the codes of conduct, are pivotal in order to establish trust in the global pharmaceutical industry, and with this trust, the basis of corporate social legitimacy (de Jonge et al. 2010). Only global codes of conduct and related statements from the six companies are analysed, company domestic statements were excluded from study. There is no aim of generalisation; there is only the aim of to illuminating the strategies used by the pharmaceutical industry.

Only case companies of a certain size were included, with a global catchment area and a strong enough market position to be a key opinion leader who is influential on norms and is culture setting.

**Thesis Outline**

In the first chapter the rationale behind the study was illuminated, the pharmaceutical sector described and issues related to the area of study were discussed.

Through the second chapter the theoretical foundation for the research were presented. Thereafter, the research questions were introduced, and the limitations of study explained.

In chapter three, the methodological approach used in this study is presented. This chapter illuminates the research method, literature review, collection of data, and data analysis. The argument for choice of methods and the ethical considerations in the study is also described. In addition, the conceptual framework is described that makes the basis for the later analysis.

Chapter four presents the background of the case companies and the empirical results retrieved from the data collected. It shows the themes that emerged in chronological order.

In chapter five, the analysis of the gathered empirical data from the previous chapter is presented. The analysis is conducted using theoretical framework to find the key rhetoric arguments.

Chapter six discusses the results from the analysis in light of the scope of the study. The research questions are combined in the discussion to be able to illuminate more issues in the industry about the pursuit of social legitimacy.

Finally, in chapter seven, the conclusion from the empirical analysis and discussion is drawn. Some reflections and further research recommendations are suggested. Additionally, study limitations are discussed, before some final words that will close the thesis.

### Chapter 3 - Research Methods

This chapter describes the methods that were used to answer the research questions. First there will be a description of how the literature review was done, and then the strategy and action plan behind the case study. Thereafter will be a presentation of use and choice of method to identify the key arguments used in the pharmaceutical industry codes of conduct to restore social legitimacy.

#### Literature Review

To get familiar with the subject and to be able to define the subject of this thesis, a literature review of contemporary academic research was conducted. In this study, several search words were used, e.g. “codes of conduct”, “ethical considerations”, “legitimacy”, “pharmaceutical industry”. The sample of words was used alone and/or with other words provided in Table 1. With this strategy, a broad search was possible that was still narrow enough to fit the scope of this study.

Table 1: Search Queries Examples

A	Rhetoric	Communication	Codes of conduct	Globalisation
B	Trust	Reputation	Ethics	Legitimacy

Through this study Academic Search Premier, Sage, ORIA, and Google Scholar were databases most used in the search for material, and the article search was mainly done between July 2015 and February 2016. Articles from before 2001 were left out of the study because they were considered too old to give meaningful insight into the contemporary knowledge of the area of interest. However, exceptions were made for articles on theory and methods. The literature review provided good insight in the pharmaceutical sector, as well as commonly used literature in the rhetoric and legitimacy research.

In another, for unethical corporate conduct in the pharmaceutical industry, additional search words were used, mostly in Google, to get an impression of the reason of fading legitimacy. These terms included “pharmaceutical fraud”, “big pharma scandals”, “patents”, “pharmaceutical price-setting”, among others. These words were used in combination with corporate names, Pfizer, Novartis, Roche, Sanofi, GlaxoSmithKline, and AstraZeneca. The

importance of this was to assure the quality of the articles, reducing the risk of including less dependable sources such as blogs, conspiracy theorists and industry negative posts.

## **Method**

To illuminate the rhetoric strategy, in complexity and context-sensitivity, the qualitative study is suitable, since the study cannot be conducted in quantitative terms (Yin 2003, Baxter and Jack 2008). In the qualitative tradition, analytical reasoning will lead to a conclusion.

In this study the qualitative multiple-case study is used as the research method. The multiple-case study allows the researcher to explain and describe a phenomenon using several data sources, and is analytically stronger than a single-case study (Yin 2003). It is suitable when the boundaries between phenomenon and context are not clearly evident (Yin 2014). Without having control over events or environment, answering how and why questions fits the case study well (Baxter and Jack 2008, Yin 2012). Situations in which case studies are most beneficial are those in which developed theory is used as a framework to compare the empirical results of the case study (Yin 2014). This study could be called an explanatory case study, since it aims to explain the contemporary phenomenon of the growth in use of global codes of conduct in the pharmaceutical industry, more precisely, the rhetoric strategy behind their use. Yin (2014) argues that, when there is an exact reproduction of the facts of the case, an analysis of alternative explanations of these facts, and a conclusion based on one explanation that is most coinciding with the facts, then, an area is within the frame of an explanatory case study. This matches this study, where the legitimacy in use of codes of conduct in the pharmaceutical industry is discussed, alternative theoretical explanations of legitimacy are offered, and in the next chapters the empirical data will give substantial information on which of the explanations is more aligned with reality.

## **Study Design**

To understand the operational link between causes and their effects a study design is to be created. In other words a logical plan for getting from here to there, where here is defined as a set of questions to be answered, and there a set of answers about these questions (Yin 2014). In the case study design, this logical sequence connects empirical data to the research question and to its conclusions. An important notion is that the research design helps the researcher to avoid a situation in which the evidence does not address the initial research question. According Yin the study design contains a) study questions, b) study propositions,

c) units of analysis, d) logic linking the data to propositions, and lastly e) clarifying the criteria for interpreting the findings (Yin 2014, 2003).

### **Study Question**

In this study, the research question is: What rhetoric does the Pharmaceutical Sector use in their codes of conduct to claim social legitimacy? To elaborate, taking the nature of the pharmaceutical business into consideration, this study is an examination of rhetoric used in the pharmaceutical industry's ethical guidelines to discuss the restoring of social legitimacy of the industry.

### **Study Propositions**

Yin's second component is the study propositions, which in this thesis is within the scope of three types of legitimacy in order to explain rhetorical strategy that pharmaceutical companies use in their codes of conduct to gain social legitimacy. Having study propositions guides the researcher to reflect on the theoretical issues and where to look for relevant evidence (Yin 2014).

### **Unit of Analysis**

In this thesis, the unit of analysis, or the major entity of analysis in this research, are the pharmaceutical companies' codes of conduct. Additionally, this will be complemented with interviews of employees with interest or responsibility for working with the codes of conduct in their respective companies. In this regard, the effort in this thesis is to understand and explain rhetorical strategy, not to analyse the performance of ethical behaviour. The codes of conduct in this analysis are from 2011 to 2015, publicly communicated for corporate use, and are the current implemented and adopted codes.

### **Linking Data to Propositions**

The fourth component indicates the steps of analysis in the case study. Collected empirical data will be categorized and linked to the theoretical propositions. The three types of legitimacy are applied to give plausible or rival explanations of the empirical data. Yin (2014) argues that the best case studies are the ones in which the explanations reflect some theoretically significant propositions, and that have more than two cases that support the same theoretical proposition, and do not support a rival proposition.

## **Criteria for Interpreting**

In a qualitative case study, Yin (2014) argues, the best analytical strategy is to test rival explanations. Cognitive, pragmatic and moral legitimacy, three different types of legitimacy for the case companies to restore their social legitimacy communicated in their codes of conduct, fits perfectly to the thesis analytical strategy. Creswell argues that the more rivals that get addressed and rejected, the stronger the findings will be (Creswell 2014).

## **Study Strength**

### **Reliability**

Reliability is understood as the repeatability or consistency of the measures in the case study, to the to which the findings could be replicated through the same research methods (Seale 1999, Yin 2014). It can be claimed that the reliability in this thesis is good. A replication of this study would likely achieve the same empirical findings and as a result, the same conclusions. On the other side, Seale argues that an absolute replication of qualitative case studies is very difficult to achieve since it reflects a very contextual, complex, and time sensitive phenomenon, very likely to change (Seale 1999). It can be claimed that absolute reliability is an unrealistic demand because researchers have different worldviews and opinions with which to interpret the findings. Stenbacka (quoted in Golafshani 2003) argues that the concept of reliability is misleading in qualitative research. If a qualitative study is discussed with reliability as a criterion, the consequences are rather that the study is no good.

### **Validity**

Validity is, according to Creswell (Creswell 2014) limited to two domains: whether the instruments used for measurement are accurate and whether they are actually measuring what they want to measure. Internal validity is understood as the precision or correctness about inference regarding cause-effect or casual relationships (Seale 1999) It ensures that the researcher investigates what is aimed to be investigated. As in a qualitative case study tradition, this research seeks to illuminate and gain a holistic understanding of the phenomenon in the real-world setting; this involves an investigative process where the researcher gradually makes sense of the phenomenon by contrasting, comparing, replicating, cataloguing and classifying (Golafshani 2003, Simon 2011). The external validity is understood as the concerned with the extent to which the research findings can be generalised to a wider population (Simon 2011). This case study is not supposed to lead to a statistical generalisation but to a theoretical generalisation (Yin 2012, 2014). Although it is not



generalised to several other cases, by using replication logic to a broader theory, the external validity is good (Eisenhardt 1989). In addition, construct validity, is used to test the quality of the study, and is concerned with identifying correct operational measures for the concepts being studied (Yin 2014). In this study, the rhetorical strategy used in the codes of conduct is studied through corporate communicated findings in multiple sources of evidence from published documents supported by interviews. And the construct validity, it can be argued, is good.

### **Trustworthiness**

Lincoln and Guba (Lincoln and Guba 1985) emphasize the trustworthiness in the qualitative case study, rather than reliability and validity. They present four evaluating criteria to ensure good quality. The first is credibility, whether there is confidence in the truth of the findings (Lincoln and Guba 1985). In this thesis, the truth is the communicated corporate documents. The second is dependability, showing that the findings are consistent and could be repeated (Lincoln and Guba 1985). In this thesis, the findings could be repeated since the document is publicly published, however the interpretation of the findings would vary as researcher worldviews and opinions differ. The third is confirmability; whether there is a degree of neutrality or to the extent to which the respondents' motivation or interest, and not researchers bias, shape the findings of the study (Lincoln and Guba 1985). One area for examination of this phenomenon is the interview-guide which was produced based on the researcher's interest and motivation, but with the same context, similar answers would be collected. And the fourth is transferability, showing that the findings have applicability in other contexts. It could be argued that the transferability in this thesis is irrelevant since the case study is context sensitive and complex. Still, with the aim to examine the rhetoric strategy in use in these ethical guidelines, other case studies could use the same methods.

### **Triangulation**

Triangulation is a strategy used to strengthen the empirical findings, a combination of several data can be sources of evidence, argued as a hallmark of the case study (Yin 2012). A strategy that increases the data credibility, this can include documents, archival records, interviews, observations, and participant observation (Yin 2003, Baxter and Jack 2008). Triangulation can, with the use of several methods, reduce or eliminate personal and methodological biases. In this thesis, it helps to elaborate on and to obtain information that maybe purposefully left out by the case companies. A hazard in qualitative case studies is the opportunity to gather

data from several sources, since it could cause a tremendous amount of data impossible to analyse properly (Baxter and Jack 2008).

## **Data Collection**

In a case study, the evidence can come from many sources: documents, interviews, questioners, archival records, observations, multiple sources that strengthen the construct validity and trustworthiness. According to Yin, all sources are potentially relevant in doing the case study. However, in this thesis, two sources of evidence are chosen, documents and interviews. In the process of collecting data, Yin's four principles have been followed (2014). First, multiple sources have been chosen. Second, a database was created to enable later retrieval. Third, the chain of evidence was maintained, showing how findings came from data that were collected, and how they relate to the original research questions, which strengthens the reliability or credibility. And fourth, exercising care in using evidence from electronic sources (Yin 2014).

## **Documents**

With the research question in mind, the most natural data in this study is the written documents, the companies' codes of conduct. Creswell argues that a criterion for using other documents require that the source has significant merit for the phenomenon being investigated (Creswell 2014). This fits perfectly with this thesis where the social legitimacy strategy in the pharmaceutical industry is discussed through the companies published documents. Yin (2003) presents four criteria for securing the quality of documents. The documents must be stable, and could be reviewed repeatedly. The gathered codes of conduct document in the present edition are stable, and not subject to change without an editors mark. Second, the data must be unobtrusive and not be created by the case study. The companies created the data in this study. Thirdly, the documents must be specific, containing references and details of an event. The corporate documents used present the ethical strategy and therefore are very specific regarding the research. Fourth, the documents are broad and cover a long span of time and many events and setting. The documents used in this research cover the ethical corporate conduct for several settings for the present and future. Therefore, it is reasonable to believe that code of conduct documents give information on the rhetoric strategy used to gain social legitimacy. One of the weaknesses with using documents as sources is the author bias, which may not give a complete picture of the strategic rhetoric (Yin 2014).

## **Interviews**

To examine the rhetoric strategy in the industry provided through codes of conduct to gain social legitimacy, and to complement the insufficient information and reduce reporting bias, interviews with employees who were responsible for the company code of conduct were planned. All six companies were contacted, either in July/August 2015, or in October of the same year. Of the six case companies, two refused and one did not answer, even after second request, leaving the study with three interviewee informants. The three included companies operating with headquarters in different countries, but all with an English working language, giving excellent opportunities for confirming information from the document data, or showing what was lacking those documents. The interviews included one by in-person interview (A), and two interviews by phone (B, C). All interviews were conducted in English and anonymised before the interview with no electronic trace to personal identity.

In this setting, it is recommended to conduct semi-structured interviews with a flexible interview guide, giving the interviewee the possibility to elaborate on their answers (Byrne 2004). This secures a detailed information of each case and is one of the strengths in qualitative interviews (Yin 2014). The questions were slightly tailored for each company, however the homogeneity in company industry made the interview guide similar. It is proposed that in case studies it is important to go into depth with a few units to get detailed information for each case, which is done in this thesis, with three interviews. The interviewees expressed in their reply to the research request a lack of time, so the interviews had to be very focused and took a maximum of 45 minutes each. Through the interview a distinct role-awareness was observed, and a distinction between personal and company-responsible statements was noticed. In situations where the person had the same impression of company conduct that the company had, there was reason for reflection. The representatives were very aware their use of words and the meaning behind how their words could be interpreted, which resembled the language in the written codes of conduct. Another reflection on the interview setting was how an external person with different professional language made the setting seem artificial, and subsequently the possibility of getting elaborative reflections on the codes of conduct was low.

With regard to reliability or trustworthiness in the interviews, this is not good and can be seen as a weakness in the data collection. The informants could be what Yin calls reflexive, giving the information the interviewer wants to hear (Yin 2014). The research subject can be

perceived as delicate, and the interviewees give calculated information, similar to corporate guidelines. Also, the interviews were done on their terms, and the interview guide was sent in advance, which weakens the trustworthiness of the interview (Golafshani 2003). The construction of questions, in this regard, had to be made in a manner that made it possible to be elaborative and ask follow-up questions. This can according to Yin, reduce response bias (Yin 2012).

### **Ethical Considerations**

Qualitative inquiry could cause ethical issues such as informed consent, avoidance of deception, avoidance of harm and risk, or breaches of promise or confidence, among other things (Schwandt 2007). In this research, involving three individual informants required that an application for approval of ethical considerations had to be considered. Approval was sent to NSD (Data Protection Official for Research) even after the NSD-test notified no need of application, due to no data trace on person identification in the dataset or in the thesis. Since the corporations have a large size, and there are no references to company name in the data set or in the thesis there is little risk of identification. In the main data collection of the codes of conduct no ethical approval was needed, as they were available for the public on their homepages. However, there is the moral issue of whether or not to inform the corporation that documents will be used in a specific study and with what purpose. So in the email requesting interviews, information of the aim of the thesis was attached with the possibility of getting in contact if questions or concerns regarding the research arise.

Other ethical considerations are correct use of references and citations, giving the authors of origin their rightful recognition.

## **Analytical Tool and Conceptual Framework**

### **Rhetoric Analysis**

Rhetoric is the art or technique of persuasion by words, and is a way for organisations to define and use words that reflect their intentions and actions (Castelló and Lozano 2011). In qualitative inquiry significant attention is paid to research as an inherently rhetorical activity (Schwandt 2007), which is exactly what this research on the codes of conduct documents intends to do. Studying rhetoric is a way to rationally analyse how meaning occurs within a context of social change (Schwandt 2007). The rhetoric analysis is seen as a method to

understand organisational phenomena, and the role of language is seen as text or other form of communication used to influence an audience (Schwandt 2007). It can be claimed that the pharmaceutical sector uses external communication as a strategy to restore their social legitimacy. Rhetoric analysis it focuses on seeing patterns in discourse of interest as well as goals and shared assumptions (Castelló and Lozano 2011). The rhetoric analysis is different from discourse analysis in that rhetoric focuses on persuasive texts fostering a specific response to social changes or phenomena, and it implies a direct and dynamic link between the analysed structures of communication and actors and actions (Castelló and Lozano 2011). In this thesis, the phenomenon of increased focus on external communication and fading social legitimacy is the focus.

According to Castelló and Lozano (2011), there is a connection between rhetoric and legitimacy in institutionalising change. For corporations to develop and communicate their knowledge, rhetoric is a critical cultural and symbolic resource (Castelló and Lozano 2011). A rhetoric analysis is important to illuminate particular identities and resources as characteristic of business strategy (Castelló and Lozano 2011). Rhetorical strategies act as structural features of discourse, and are understood through an analysis of corporate communication, as used differently in various situations and contexts (Castelló and Lozano 2011). One of the forms rhetoric strategy takes is reasoning, which refers to a rhetorical structure of argumentation whose premises are drawn from the audience (Castelló and Lozano 2011). The main aim of the rhetoric study is to capture the essence, goals, and the implicit categories of meaning (Castelló and Lozano 2011).

### **Conceptual Framework**

In order to identify the key arguments in the codes of conduct in, Castelló and Lozano's (2011) classification of different rhetoric themes has been used as an analytical tool for the empirical data. In the article "Searching for New Forms of Legitimacy Through Corporate Responsibility Rhetoric" they look into the process of searching forms of legitimacy through corporate external communication. In their research, 93 corporate reports were analysed, and 17 themes were identified. According to Castelló and Lozano within these 17 themes, three types of rhetoric arguments can be found in codes of conduct documents, and each form could be linked to different forms of legitimacy for the company role.

Type of Codes of Conduct Rhetoric	17 Themes
Strategic	Operationalization, reputation, innovation, strategic link, and governance
Institutional	Stakeholder dialog, CSR, philanthropy, sustainability
Dialectic	Global standards, citizenship, accountability, global agenda, partnership, focus on the issue, inclusivity, and social contribution

Table 2: Overview of rhetoric strategy and themes (Castelló and Lozano 2011).

First, strategic codes of conduct rhetoric include five themes: operationalization, reputation, innovation, strategic link, and governance. In this first category the argumentation is to look at the processes and measures leading to an increase in ethical behaviour through their codes of conduct (Castelló and Lozano 2011). The argument in the strategic rhetoric could be claimed to relate to strategic management arguments with a foundation in liberal market tradition and strong links to profit maximisation (Castelló and Lozano 2011), easily associated with Milton Friedman view of corporate behaviour and responsibility. “The social responsibility of business is to increase its profits” (Friedman 1970). It is understood that there is no other obligation for corporate conduct other than simple compliance with societal legal rules. Economic activity is the rationale for the main objective of corporate conduct and is the logical explanation for rhetoric and codes of conduct argumentation. The strategic rhetoric is used as self-justification and supporting most of their arguments in their external communication activities (Castelló and Lozano 2011).

Strategic rhetoric would fit pragmatic legitimacy while assuming that corporations have a strategic influence on their social context and the stakeholders benefit from the company conduct (Castelló and Lozano 2011). A strategic rhetoric is taken from natural sciences with the aim to explain observable phenomena through measurable laws and situational conditions (Castelló and Lozano 2011.)

A limitation in strategic rhetoric is its positivistic nature, and instrumental legitimation has the need for rhetoric to define a normative framework, that the actions of the corporation are seen as meaningful and predictable (Castelló and Lozano 2011).

Second, institutional codes of conduct rhetoric includes four themes; stakeholder dialog, CSR, philanthropy, and sustainability. In this category, the argumentation is used in the codes of

conduct discourse with symbols from the corporate social responsibility movement, and contains important constructions in CSR theory such as stakeholder theory and sustainability, among other things. Institutional rhetoric is claimed to be embedded in the cognitive sub-conscious particularly with regard to as what is considered good corporate conduct. The consciously or sub-consciously produced rhetoric demonstrates the corporation's worthiness and acceptability (Castelló and Lozano 2011).

Institutional rhetoric fits with cognitive legitimacy when presuming a subconscious understanding of the social context (Castelló and Lozano 2011). The institutional rhetoric has its flaws because stakeholders view the rhetoric limits as empty in meaning and disconnected to the specific language and specific need. In addition, the symbols of CSR could be recognised as more desirable in the 70s and 80s, but are losing their normative force today (Castelló and Lozano 2011). The institutional rhetoric therefore does not lead to moral legitimacy.

Institutional rhetoric as a communication strategy has its flaws since its fairly academic, empty in meaning, and disconnected to a company's specific language and specific needs.

Third, dialectic codes of conduct rhetoric include eight themes: global standards, citizenship, accountability, global agenda, partnership, focus on issue, inclusivity, and social contribution. In this category, the argumentation is examined in an effort by the corporations to relate to their stakeholders, based on of dialog and public justification of the firms societal contribution (Castelló and Lozano 2011). In this dialectic rhetoric, the ambition is to increase the acceptability of corporate conduct and promote mutual respect (Castelló and Lozano 2011). The dialectic rhetoric is based in the practice of dialog between corporation and stakeholders and a sharing of meaning and principles of inference in order to address social issues and set the global agenda. The language of dialectic codes of conduct rhetoric underpins the importance of generating common good and societal empowerment through civilizing activities (Castelló and Lozano 2011).

Dialectic rhetoric fits with moral legitimacy when not founded in self-interest, but in doing the right thing and having moral reflections on company conduct (Palazzo and Scherer 2008, Castelló and Lozano 2011).

Since there are three different types of rhetoric, there is reason to believe that all three will be addressed in the external communication of the codes of conduct. The framework identified a diversity of rhetoric themes, and illuminated how these argument-characteristics can be connected to the three types of legitimacy.

Public codes of conduct communication can contain strategic, institutional, and dialectic rhetoric. Strategic rhetoric is directly linked to pragmatic legitimacy and is considered to be a strategy that lets the company be able to manage it as a resource. Institutional rhetoric is linked with cognitive legitimacy and is considered the process of corporate adaptation to societal expectations as a reactive process. Dialectic rhetoric is linked with moral legitimacy, where the corporation initiates dialogue with stakeholders.

<b>Codes of Conduct</b>		
<b>Strategic Rhetoric</b>	<b>Institutional Rhetoric</b>	<b>Dialectic Rhetoric</b>
<b>Pragmatic Legitimacy</b>	<b>Cognitive Legitimacy</b>	<b>Normative Legitimacy</b>

Figure 4: Rhetoric linked to legitimacy

It must be emphasised that a corporation does not necessarily strive for one of the legitimacy types; it could be a corporate effort to include all three types of legitimacy since different parts of the company answer to different legitimacy claims. In the pharmaceutical sector one could apply strategic rhetoric to shareholders economic dividend and safe environmental storage and waste disposal; one could also apply dialectic rhetoric to research in new medications (focus on issue) and donations of medicine to developing countries (global agenda).



## Chapter 4 - Results

### Case Companies

The study cases in this master thesis are a selection of six of the ten largest global pharmaceutical companies. Companies with different catchment areas and products, represented with sales in all continents, and all with publicly available code of conduct documents. Namely, represented in sequence by revenue according Pharmaceutical Technology (Pharmaceutical Technology 2015): Novartis, Pfizer, Sanofi, GlaxoSmithKline, AstraZeneca and Roche. All companies have substantial importance for supply of vital medications. Obtained information is from the companies' web pages, and their published codes of conduct are the basis for the following descriptions of the companies.

#### Novartis

Novartis is a Swiss global pharmaceutical company that was created in the merger of Ciba-Geigy and Sandoz Laboratories (both Swiss) in 1996. It is headquartered in Basel (CH), with research headquarters located in Cambridge, Massachusetts (US). In 2014, Novartis had total revenue of US\$57.9 billion, a total equity of US\$74.472 billion, and with total assets worth US\$126.254 billion (2013). They are listed in the Swiss Stock Exchange, New York Stock Exchange, and Bombay Stock Exchange. The production of Novartis includes cardio metabolic, retina, respiratory, neuroscience, immunology, dermatology, oncology, and cell and gene therapy. Most famous is their anti-inflammatory drug, Voltaren.

Novartis is located in all continents and employs 135,700 people. Their operating structure is divided into the following health care business divisions: Pharmaceuticals, Eye Care, Generics, Vaccines and Diagnostics and Consumer Health.

Mission Statement: *“Our mission is to care and cure. We want to discover, develop, and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.” (Novartis 2015)*

#### Pfizer

Pfizer, Inc. is an American global pharmaceutical company founded by Charles Pfizer and Charles Erhart in 1849, and is headquartered in New York City, New York (US), and has headquarters for research located in Groton, Connecticut (US). In 2014, Pfizer had total revenue of US\$49.605 billion, a total equity of US\$71.622 billion, and total assets worth US\$169.274 billion. They are listed in the New York Stock Exchange. Pfizer production

includes products within immunology, oncology, cardiology, diabetology, endocrinology and neurology, and is most famous for the medicine for erectile dysfunction, Viagra.

Pfizer is located globally, and in 2014 employed 77,700 people. Their operating structure is comprised of eight diverse health care businesses: Primary Care, Speciality Care, Oncology, Emerging Markets, Established Products, Biopharmaceutical, Pfizer Consumer Healthcare, and Pfizer Medical.

Mission statement: *“To be the premier, innovative biopharmaceutical company. Innovative to bring therapies to patients that significantly improve their lives” (Pfizer 2015)*

### **Roche**

Roche is a Swiss global pharmaceutical company founded in 1896. Roche is headquartered in Basel and is split into two divisions; pharmaceuticals and diagnostics, with research sites around the world. The total revenues in 2014 were US\$48.4 billion, a total equity was US\$21.4 billion, and assets were a total of US\$47.2 billion. The company is listed in the Swiss Stock Exchange. Roche produces a large variety of products, for metabolic condition, inflammatory diseases, central nervous system disorders, and viral diseases. The central nervous system medication Diazepam (Valium) is the most famous. Roche is located on all continents, in more than 150 countries and employs 85,000 people.

Mission statement: *“We are proud of who we are, what we do, and how we do it. We are many, working as one across functions, across companies, and across the world.” (Roche 2015f)*

### **Sanofi**

Sanofi is a French global pharmaceutical company and was founded on August 20, 2004 by the merger of Aventis and Sanofi-Synthelabo, headquartered in Paris (F). In 2014, Sanofi had the total revenue of US\$43.75 billion and a total equity US\$ 64 billion, with total assets worth US\$132.4 billion (2013). They are listed in several European stock exchanges and the New York Stock Exchange. In the production portfolio of Sanofi one finds cardiovascular, central nervous system, diabetes, internal medicine, oncology, thrombosis and vaccines.

Sanofi is located worldwide, and employs 112,200 people. The operating health care divisions are Pharmaceuticals, Consumer Healthcare, Vaccines, Rare Diseases and Multiple Sclerosis and Animal Health.

Mission Statement: *“Create value by rapidly launching and successfully marketing innovative pharmaceuticals that satisfy unmet medical needs in large patient populations” (Sanofi 2014)*

### **GlaxoSmithKline**

GlaxoSmithKline (GSK) is a British global pharmaceutical company and was established in 2000 in a merge between Glaxo Wellcome and SmithKline. It is headquartered in Brentford, London (UK), with research headquarters in Five Moore Drive, North Carolina (US). In 2014, the total revenue was US\$35.6 billion, with a total equity of US\$68.9 billion, and total assets worth US\$69.7 billion. They are listed in the London Stock Exchange, and the New York Stock Exchange. GSK produces pharmaceuticals for asthma, cancer, infections, mental health, diabetes, and digestive conditions.

GSK is located in all continents, with the US as the largest market and employs 96,575 people.

Mission Statement: *“Our mission is to help people to more, feel better, live longer.”(GlaxoSmithKline 2015)*

### **AstraZeneca**

AstraZeneca is a British-Swedish global pharmaceutical company founded in 1999 through a merge between the Swedish Astra AB and the British Zeneca Group. AstraZeneca is headquartered in London (UK), with research headquarters in Cambridge (UK), and in Södertälje (S). In 2014, the total revenue was US\$26.095 billion, with a total equity of US\$18.28 billion, and a total of US\$55.9 billion in assets. The company is listed in the London Stock Exchange, New York Stock Exchange, and Helsinki Stock Exchange. AstraZeneca produces pharmaceuticals for cancer, cardiovascular issues, gastrointestinal issues, infections, neuroscience, respiratory issues, and inflammatory diseases.

They are located on all continents and manufacture in 16 countries. They are located in more than 100 countries. AstraZeneca employ around 57,500 people with the majority in Europe.

Mission Statement: *“Making the most meaningful difference to patient health through great medicines. (AstraZeneca 2015)*

## **Empirical Results**

In the last 5 years all six companies have edited and renewed their codes of conduct after long traditions of having behavioural guidelines including Pfizer whose first code of conduct was written over 20 years ago. However, putting effort into them is rather new as well as putting them into a new format. Novartis and Sanofi had the oldest ones, from 2011, and Pfizer and Roche the newest, renewed in 2015. All companies have public statements concerning their corporate operations and affairs easily accessible on web in such fields as ethical, social, economic and philanthropic, to mention some. The codes of conduct for all above-mentioned companies were in separate documents well relegated from homepage, with brief discussion and references in other publicised material on their web pages.

Generally speaking, the homogeneity in the frames of the published codes of conduct were clear in age, size, and homepage focus, giving the reader the impression of high value and importance. Since all companies had rather similarly sized and formed published documents, all were included and analysed in this study. All companies had their corporate codes of conduct provided in several languages, despite a working language of English, and therefore the English corporate codes of conduct were analysed. The case companies studied communicate rather clearly the reason for their use. A general characteristic of the codes is a significant resemblance, with only a few deviations in the expressed reason for implementation of their codes of conduct. Five out of six companies begin with a message from the chairman or CEO. All the companies mention their values and principles, and all companies use examples to clarify and make their code more understandable. All six codes of conduct refer either in their codes or in related web page to a whistle blower or a reporting procedure, which mentions that employees are protected from retaliation if they report ethical breaches. Additionally, all six case companies have signed the United Nations Global Compact initiative for universal sustainability.

### **Code of Conduct Rhetoric Key Arguments**

By analysing the codes of conduct of the six case companies, eleven main categories were mapped as key arguments. To get an impression of the degree of importance, despite the homogeneity in communicated reasons, a frequency map was produced. All codes of conduct were listed. The interviews were not, since representatives from only three companies were interviewed, which could bias the answers. The findings are presented chronologically after importance.

Table 3: Overview empirical findings after importance.

Companies	Novartis	Pfizer	GSK	Sanofi	AstraZeneca	Roche
Economic Performance	X	X	X	X	X	X
Social Public Contribution	X	X	X	X	X	X
Building and/or Protecting Reputation	X	X	X	X	X	X
Compliance with Regulations, Standards and Laws	X	X	X	X	X	X
Role Model Responsibility Operating in Weak Countries	X	X	X	X	X	X
Creating Corporate Culture	X	X	X	X	X	X
Ensuring Patient Safety	X	X	X	X	X	X
Global Institution Building and UNGC	X	X	X	X	X	X
Environmental Responsibility	X	X	NO	X	X	X
Eradicate Corruption	X	X	X	NO	X	
Business Opportunity	X	NO	X	NO	X	X
UNGC signed	X	X	X	X	X	X
Year Published	2011	2015	2014	2011	2014	2015

### Economic Performance

Mentioned in all codes of conduct, the economic performance is directly or indirectly the most important argument for social legitimacy. Having financial integrity and responsibility is important to secure corporate operations. Pfizer states, *“Pfizer is committed to pursuing sound growth and earnings, while maintaining integrity in all that we do”* (Pfizer 2016).

GlaxoSmithKline mentions sustainable economic performance as crucial to continue research and development in the interest of society and for its shareholders, and to increase corporate operational efficiency. They state, *“We are a business, so we need to do this in a sustainable way. But in doing this well, we deliver a profitable and sustainable performance. This in turn allows us to generate value and returns for our shareholders, while maintaining the substantial investment we make into the research and discovery, manufacturing, supply and distribution of our products that ultimately delivers value to patients and society”* (GlaxoSmithKline 2016).

A coherent argument for all case companies in following their codes of conduct to restore social legitimacy is financial stability. For example, Novartis stated, *“We do not compromise our financial integrity. Financial risks and operational measures must be appropriately reviewed and approved”* (Novartis 2011).

This statement was confirmed by interviewee A who, *“sees a connection between employee satisfaction and safety, and economic performance and corporate efficiency, to be founded in ethical behaviour since the financial consequences in unethical conduct breaches could affect several sides of business operations in e.g. layoffs and downsizing”* (Interview 21.08.2015).

### **Social Public Contribution**

One of the most mentioned arguments for the industry’s social legitimacy is the social contribution. As corporate social responsibility increases in importance as a business strategy, the societal position finds its natural place incorporated in the codes of conduct. A reason for ethical behaviour is to maintain or strengthen the well being of society where the company has influence. To be a social public contributor can be read as a main argument. Pfizer writes, *“At Pfizer, we recognize that helping society benefits us all. It strengthens our company and helps fulfil our business purpose—to bring therapies to people that significantly improve their lives. We seek to improve the well-being of people around the world through our responsible business actions and through sustainable social investments designed to improve access to medicines and healthcare.”* (Pfizer 2016)

With the same argument, Roche states the importance of contribution to society as an indicator of success with the purpose of asserting social legitimacy: *“Our success in a rapidly evolving and complex healthcare environment hinges on our ability to develop strategies where both industry and society benefit. This means: delivering medical solutions and ensuring broad access to them, providing a rewarding workplace, being a trustworthy partner and supporting the communities in which we operate.”* (Roche 2015a)

GlaxoSmithKline uses humanitarian and philanthropic arguments for social contributing in their codes of conduct to gain social legitimacy: *“We are committed to the charitable donation of products based on humanitarian needs and other factors as part of our commitment to responsible business, including donations in emergency and disaster situations.”* (GlaxoSmithKline 2016)

Similarly, Novartis states altruistic arguments for being a corporate citizen: *“By actively contributing to social, ecological, cultural, and other projects and programs, we strive to contribute to the solution of societal problems.”* (Novartis 2011)

### **Building, Restoring, and/or Protecting Reputation**

All six companies mention reputation as a key argument for asserting social legitimacy in the codes of conduct in an industry where a fall in reputation in the recent years has seemed to also influence the codes of conduct. Novartis highlights reputation in how the stakeholders perceive the company as crucial for trustworthiness, and conform to self-imposed codes as the solution. They write, *“We aspire to be the world’s most respected and successful healthcare company. We can only realize this aspiration if we earn and maintain the trust and support of our key stakeholder groups: our patients, our associates, our shareholders, our healthcare partners, and society at large”* (Novartis 2011).

Further, the building and protecting of reputation occur as an essential argument for restoring social legitimacy in the codes of conduct in every sector and channel of the business. The companies expect and rely on compliance with the codes of conduct to maintain or improve the present reputation. AstraZeneca, for example, stated *“All our communications, through whatever channel, must be fair, accurate, timely and appropriately authorised. All employees must be mindful of situations in which they may be perceived to be communicating on the Company’s behalf.”* (AstraZeneca 2014)

The increased use of social media has, for some of the companies, been experienced as a threat to companies’ reputation and societal perceptions. Sanofi state, *“Sanofi attaches great importance to protecting its image and reputation. This includes the use of web-based social media by its employees, professionally or privately”* (Sanofi 2011)

### **Compliance with Regulations, Standards, or Laws**

As members of the global society with global interests, pharmaceutical companies have a variety of national laws, standards, and regulations to take into account. Nations with major differences in laws, regulations, and other requirements for company behaviour require high ethical standards to avoid misconduct. All of the case companies have stated the necessity of rigid ethical behaviour to comply with a variety of stakeholders’ demand for ethical and legal

behaviour and for asserting their social legitimacy. For example, GlaxoSmithKline stated, *“We are a successful business that acts responsibly with integrity and transparency, living up to the standards that are rightly expected of us. We are committed to meeting the highest ethical standards in the way we do business. All of us – the company, employees and anyone acting on our behalf – must obey company policies and all laws in any country where we operate, including specific anti-corruption laws.”* (GlaxoSmithKline 2016)

According to Interviewee A: *“In our company we not only comply with national laws and regulations. In countries where laws and regulations are deficient or inadequate, the company follows the self-imposed standards and regulations complying with the highest ethical standards in the sector.”* (Interview 21.08.2015)

Pfizer references in the same topic, and underlines the importance of high ethical performance to protect the shareholders interests: *“We will abide by all applicable laws, regulations, and other standards. We will operate in the best interests of the Company and our shareholders, be forthright about our operations and performance, and exercise care in the use of assets, information and resources.”* (Pfizer 2016)

AstraZeneca sees the compliance with laws and regulations as a managing tool, as a strategy to secure company success. Their website states, *“Good governance is crucial to ensuring we are well managed, can deliver our strategic priorities and meet stakeholder expectations.”* (AstraZeneca 2014)

A new medical environment is referenced by Roche as an argument in their ethical guidelines and in their legitimacy claims. A rapidly changing business world facilitates self-regulative instruments to maintain integrity. *“With an increasingly evolving and complex healthcare environment, we are committed to scientific rigour, unassailable ethics and access to medical innovations for all – to build a better tomorrow.”* (Roche 2015a)

### **Role Model Responsibility of Operating in Weak Countries**

As global companies, the degree of state governing systems varies in the mechanisms employed to control unethical behaviour. Company size and societal reputation give the case companies positions to have an impact on business culture as a role model of ethical behaviour. At the same time, operating in weak countries makes them more vulnerable to



unethical behaviour. Roche underlines their position of vulnerability and the importance of using their codes of conduct to form the argument for claiming social legitimacy: *“Roche employees have to keep in mind that perception matters and that their behaviour could be considered as a bribe or granting of an improper advantage, regardless of their intention. These principles apply globally to all public and private business transactions involving Roche. Many countries have laws making it a crime to bribe and/or to grant an improper advantage to public officials. Violation of these laws or other laws that prohibit unfair competitive practices can result in criminal and civil actions against Roche and the individuals involved. Since Roche is doing business on a worldwide basis, employee misconduct in one country may have negative implications for Roche globally.”* (Roche 2015a)

Sanofi situates their contribution to ethical corporate behaviour in the way they want to do business: *“It is important we achieve results, but the ‘how’ we achieve them is equally as important. The Code of Ethics is an integral part of our culture and therefore, of our Sanofi-aventis.”*(Sanofi 2011)

GSK emphasizes their global position as an argument in their codes of conduct to claim social legitimacy. Compliance with their codes reinforces their potential as a role model in weak countries. They state, *“GSK does significant business with many governments in many countries and there are special laws that apply to these interactions, particularly when these entities are our customers. We must comply with all applicable laws and regulatory agency requirements as outlined in business area policies and procedures, and we must ensure that all our interactions with governments are ethical and appropriate.”*(GlaxoSmithKline 2016)

Another argument in the codes of conduct is to mark a difference between national norms and company expected behaviour regardless of national customs, which is in danger of complicating business relations. To be a role model, empowering weak states requires strict measures, as Sanofi states, *“In some countries, declining a gift from someone with whom you do business may be seen as rude, and may even harm future business dealings with that person. In such cases, you should discuss with your superior how the gift should be handled”* (Sanofi 2011).

### **Creating Corporate Culture**

When doing business worldwide, the corporate culture can vary enormously, from country to country, continent to continent, and the use of the codes of conduct can also vary. Creating a shared corporate culture could be used as a tool to regain social legitimacy. Novartis announces in their published documents, *“The Novartis Code of Conduct forms an integral part of the terms of employment of all associates of the Novartis Group. Novartis insists on full compliance and will not tolerate any misconduct. We aim to foster a culture of openness, honesty and cooperation both with our suppliers and with the outside world. We will be open about our experiences and encourage development in the pharmaceutical supply chain as a whole.”* (Novartis 2011)

During the last few decades, not only do global activity and cultural diversity serve as a threat to social legitimacy, but also takeovers and mergers fertilize the need for a coherent corporate culture. Sanofi uses the code “our Sanofi-Aventis” as a tool to connect the different company divisions: *“Our sanofi-aventis is our culture; it is who we are collectively as a group. It is how we interact with each other and with our partners, how we make decisions and above all, what makes us unique as an organization.”* (Sanofi 2011)

Disloyal staffs are seen as a major risk in avoiding unethical behaviour, and could be seen as a sign of unfortunate unethical corporate culture. Interviewee B claims that, *“In a company with thousands of employees, ethical violations or breaches in ethical behaviour are impossible to control, and we therefor have to rely on our integrity training and control mechanisms.”* (Interview 16.11.2015)

### **Ensuring Patient Safety**

Being a supplier of medicaments to billions of people, the focus on patient safety and role is present in all code of conduct documents. To ensure ethical relations to the customer group seems to be a highly valued way to gain social legitimacy. Throughout the value chain the company expectation of self-regulation occurs. AstraZeneca says they support, *“the work of patient groups, through the provision of financial and in-kind assistance that seeks to enhance patient welfare. Our relationships with patient groups must always comply with relevant legal and regulatory requirements, as well as applicable codes and our own supporting policies”* (AstraZeneca 2014)

Patient expectation and patient information are also ways to ensure patient safety and an argument for gaining social legitimacy, Sanofi outlines that they, *“to take into account – and even anticipate – patient expectations. To this end, we do all that we can to provide information that is relevant, clear and accessible to all, with a view to promoting the proper use of our products. Our concern at all times is to ensure that we meet the highest quality and safety standards.”*(Sanofi 2011)

Pfizer emphasizes the need for reliability in products to be one of the most important reasons to ensure patient safety, and the importance of never to compromising on company ethical standards. *“Product quality, safety and efficacy are critical components of the trust people place in Pfizer.”* (Pfizer 2016)

GSK states the same reason in their codes, which is the importance of quality products to be certain of the safety of customers: *“Patient and consumer safety is always our top priority, and we are committed to the highest standards of medical governance. Any concerns about any aspects relating to the safety of any GSK product no matter how minor the concerns may appear to be – must be reported to our relevant company safety departments.”*(GlaxoSmithKline 2016)

### **Eradicating Corruption**

According to the WHO, the pharmaceutical sector occupies a special position due to being responsible for a large proportion of countries health expenditures, especially in developing countries where up to 65% of their expenditures is pharmaceutical costs (WHO 2006). Attracting these amounts of capital makes the sector vulnerable to corruption and unethical practices, and combat corruption is referred to in all of the companies’ codes of conduct as an important priority in business strategy to claim social legitimacy. *“Sanofi-aventis is fully committed to fighting all forms of corruption in every country in which we operate. We expect all our employees not to accept or offer, directly or indirectly, during the course of their duties: money; gifts; services; any other benefit; to or from public officials, politicians, political parties or any other person or organization, with a view to inducing them to do or not do something within the scope of, or facilitated by, their job or position* (Sanofi 2011)

AstraZeneca clarifies the importance of the two-way game, and states that they have a no tolerance policy within AstraZeneca and from their customers regarding corruptive or

unethical behaviour in this matter. They state, *“Offering or making payments to government officials to obtain favourable treatment, to secure business, or to obtain an improper advantage is a crime in every country in which we do business, whether such payments are in cash or in kind.”* (AstraZeneca 2014)

Roche stresses the situations in doubt, where integrity could be questioned, as a major legitimacy argument in their codes of conduct: *“We must not give or accept any gifts or entertainment that could raise any concerns regarding our personal integrity or Roche’s integrity and independence”* (Roche 2015a).

### **Environmental Responsibility**

As one of the UN global compacts main priority areas (and occupying three out of ten principles), (UN 2015) the environmental responsibility is also mentioned in all six companies codes of conduct to assert social legitimacy. Performing environmentally positive corporate operations to reduce their ecological footprint is one of Novartis reasons that they mention: *“We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle”* (Novartis 2011).

Societal focus on global warming because of greenhouse emissions is mentioned by Sanofi as an environmental argument: *“More specifically, we have taken steps to limit our emissions of greenhouse gases, the impact of our operations on air quality, and our consumption of natural resources”* (Sanofi 2011).

Recognising the environmental impact on employees health and safety makes it one of Pfizer’s arguments to gain social legitimacy in the codes of conduct: *“Protecting the environment, and the health and safety of our colleagues, contingent workers, visitors, and the communities in which we operate is a business priority and is core to Pfizer’s Values”* (Pfizer 2016).

### **Business Opportunity**

Several of the pharmaceutical companies mention an argument to claim social legitimacy in their codes of conduct through business opportunities. The general view of corporate ethical responsibility is that it attracts stakeholders, and therefore the codes of conduct are used strategically to gain competitive advantage. This seems to give the general impression of a

demand for ethical behaviour within the companies, and using codes of conduct leads to gained social legitimacy with an improved stakeholder perception. One of the companies that emphasizes ethical behaviour as a business opportunity is Sanofi: *“We regularly provide shareholders and investors with transparent information about our activities, our strategy, our performance, our future prospects and our financial position, so that they can properly assess our situation”* (Sanofi 2011).

A company that also values the codes as a business opportunity, and in the end gains social legitimacy is Novartis who states, *“We believe that business continuity management is critical for our patients, customers, associates, and other stakeholders, and is part of responsible management practice. In the event of an emergency or significant business disruption, we are committed to doing our utmost to ensure uninterrupted supply of key products and services”* (Novartis 2011).

Interview B supported this view: *“We have no reason to hide that one of our aims of having codes of conduct is business motivated and economically reasonable. Stakeholders expectation demands us to be in a position where unethical behaviour is unacceptable, and where this is integrated in our business culture, and therefore the codes of conduct as a framework of our business strategy”* (Interview 16.11.2015).

### **Global Institution Building and the UN Global Compact**

As members of the global market, all of the companies mention the global governance and to underpin the importance of global institutions as one of the arguments to assert social legitimacy in their self-imposed codes of conduct. Operating in a power vacuum, with claimed anarchic conditions, demands strong ethical self-regulative initiative. Especially where the possibility to exploit weak nation state regulations and monitoring mechanisms is present (Aydinli and Rosenau 2005). AstraZeneca emphasizes the present reputable global institutions as important in their strategic business operations in order to gain social legitimacy: *“We must comply with laws, regulations, licensing requirements, boycotts, embargoes and other restrictions that have been approved by recognised national and international authorities, including the United Nations, the European Union, the United Kingdom, Sweden, and the United States”* (AstraZeneca 2014).

Also, Sanofi recognizes their unique position as a global company to empower global governance, and in specifically complying with UN, ILO, and OECD declarations as a way to claim social legitimacy in their codes of conduct: *“In a complex environment, we are determined to respect the ethical principles governing our activities and are committed to abiding by the laws and regulations that apply in each country in which we operate. We adhere to the principles of the Universal Declaration of Human Rights, the International Labour Organization and the Organization for Economic Co-operation and Development (OECD). We also support each person’s right to health, as defined in the International Covenant on Economic, Social and Cultural Rights. Through our adherence to the United Nations Global Compact, we support and apply the core principles relating to human rights, labour, environment, and anti-corruption” (Sanofi 2011).*

## **Chapter 5 - Analysis**

### **Analysis**

This chapter aims to evaluate the research question described in chapter 2 using the theoretical framework and results from the empirical data. The results will be analysed in relation to the different forms of legitimacy and their link to rhetoric types. The key arguments that are found will be related to types of rhetoric and forms of claimed legitimacy. The research questions to be answered are:

What rhetoric key arguments does the global Pharmaceutical Sector use in their codes of conduct to assert social legitimacy?

What kind of legitimacy is communicated in the codes of conduct?

What type of codes of conduct does the Pharmaceutical Sector use?

Are the UN global compact or other global initiatives included to promote social legitimacy?

How are different strategies used in response to known ethical misconduct in order to regain legitimacy in the published documents?

### **Key Arguments**

Eleven themes were identified from the empirical material that made the foundation for the illumination of the key arguments. A clear distinction between the rhetoric themes and rhetoric types was difficult to settle on since several themes could fit into more than one rhetoric type.

The first theme, arguing that economic performance is a way of asserting social legitimacy could fit the strategic codes of conduct rhetoric. The social legitimacy claims have their foundation in market liberal tradition with a legitimate link to profit maximisation (Castelló and Lozano 2011, Friedman 1970), and corporate conduct has no other obligation than legal rules. To argue that economic performance is necessary to restore social legitimacy could be seen as self-justification of corporate activity, and is used by all six companies (Castelló and Lozano 2011).

The second most frequent theme, the social public contribution, is an argument for the pharmaceutical industry's social legitimacy. The social public contribution argument belongs to the dialectic rhetoric, since it seeks a dialog and a public justification of the firms conduct. This argument underpins the corporate sharing of meaning and principles around social issues

and the global agenda; it also has the intent to assert social legitimacy. Using the social public contribution argument, the generation of common good and societal empowerment is illuminated in the language in all six case companies codes of conduct as a way of claiming social legitimacy.

When it comes to the third most used argument to assert social legitimacy in the codes of conduct, corporate building and/or protecting of reputation are evident. The pharmaceutical industry's fading reputation and fading social legitimacy are mentioned as threats of corporate trustworthiness, and protecting and restoring reputation is a crucial argument for maintaining its societal role as provider of vital services. Therefore, the reputation argument is a key argument in how social legitimacy can be restored. This argument fits the strategic rhetoric with the aim of communicating the processes and measures leading to an increased ethical behaviour through the corporate codes of conduct (Castelló and Lozano 2011).

The fourth most used argument in how to claim social legitimacy is compliance with regulations, standards, and laws. This argument has clear references in the strategic rhetoric, where it is understood that there is no other obligation for corporate conduct to assert social legitimacy than to follow societal legal rules (Castelló and Lozano 2011). This argument aims to explain pharmaceutical companies observable ethical conduct through compliance with measurable laws.

The fifth commonly used argument is how the pharmaceutical companies argue that being a role model with influences on weak countries means operating where government control is deficient. This argument fits the dialectic rhetoric where the corporate public contribution is emphasised to claim social legitimacy. This focus on inclusive and global social contributions make the corporate generation of common global good publicly visible, and these civilizing activities that empower societies becomes an argument for social legitimacy.

The sixth most frequent key argument in asserting social legitimacy is about creating corporate culture. Communicating that the pharmaceutical companies hold a sound and ethical corporate culture can be a tool used to regain social legitimacy and demonstrates a corporation's worthiness and acceptability (Castelló and Lozano 2011). This fits the institutional rhetoric, where communication contains traditional CSR theory. A sound corporate culture across continents could also belong to the dialectic rhetoric. Global



standards and global citizenship fit the corporate argumentation for how corporate conduct has to comply with the highest ethical standards on a global scale.

The seventh commonly used argument to assert social legitimacy is how patient safety is ensured: this is a way of communicating corporate accountability and an industry focus on the issue. In this way, companies are asserting social legitimacy through mutual social respect (Castelló and Lozano 2011). Ensuring patient safety is also an argument of creating common good (Castelló and Lozano 2011), and therefore fits the dialectic rhetoric well.

The eighth most used argument used by the pharmaceutical industry to regain social legitimacy is to eradicate corruption. The pharmaceutical sector's market position, as claimed by the WHO, makes the industry vulnerable to corruption and unethical practices that could threaten the industry's social legitimacy. This fits the institutional rhetoric where this communication aims to define what is considered good corporate conduct (Castelló and Lozano 2011). Corruption eradication is also a CSR symbol used in the codes of conduct as consciously demonstrating corporate worthiness and acceptability through ethical standards and sustainability (Castelló and Lozano 2011).

In the ninth most common key argument, environmental responsibility is communicated to assert social legitimacy through sustainable business operations. Focus on the degree of the industry's environmental impact fits the institutional rhetoric well, since the argumentation used in the codes of conduct discourse contains CSR theory constructions as sustainability. This results in what Castelló and Lozano (2011) call cognitive sub-consciousness of good corporate conduct, and can be used to regain social legitimacy. It also is in the frames of dialectic rhetoric with a clear underpinning of generating common good. The UN global compact issued an environmental challenge in global industries, and the industry's legacy relies on good environmental corporate conduct (UN 2015). This is communicated through their codes of conduct as an argument for asserting their social legitimacy.

In the tenth most frequent argument used to assert social legitimacy is how the industry empowers global institutions and supports the global governance that these institutions aim to influence. The global pharmaceutical industry is one of the most globalised industries, and operates with an absence of transnational regulations. They use the codes of conduct to communicate their efforts in supporting the existing global governmental initiatives, such as

the UN Global Compact. This argument fits the dialectic rhetoric well, where the global agenda, global standards, and partnership are some of the themes where the moral reflections is in doing what is right, and empowering societal civilising activities (Castelló and Lozano 2011)

The last and eleventh most used argument in the pharmaceutical codes of conduct to assert social legitimacy is business opportunity through ethical behaviour as a strategic action. Through the communicated codes, the processes and measures leading to increased ethical behaviour is presented. The use of the codes of conduct as a business opportunity is related to the strategic management argument to gain social legitimacy, where the claimed social legitimacy is secured when profits increased. This argument fits with the strategic rhetoric (Castelló and Lozano 2011). Social legitimacy is gained when the codes of conduct are a business opportunity tool used as self-justification and as support for their corporate activities (ibid).

Table 4: Conceptual framework revised

	<b>Legitimacy Types</b>	<b>Rhetoric Types</b>	<b>Corporate Arguments</b>
<b>Pharmaceutical Codes of Conduct</b>	<b>Pragmatic Legitimacy</b>	<b>Strategic Rhetoric</b>	Economic Performance
			Building and/or Protecting Reputation
			Comply with Regulations, Standards and Laws
			Business Opportunity
	<b>Cognitive Legitimacy</b>	<b>Institutional Rhetoric</b>	Eradicate Corruption
			Role Model Responsibility Operating in Weak Countries
			Creating Corporate Culture
			Environmental Responsibility
			Social Public Contribution
	<b>Moral Legitimacy</b>	<b>Dialectic Rhetoric</b>	Social Public Contribution
			Global Institution Building and UNCP
			Environmental Responsibility
			Role Model Responsibility Operating in Weak Countries
			Ensure Patient Safety

## **Legitimacy Types**

As could be seen in the above comparison between the key arguments found for claiming social legitimacy as well as the three types of rhetoric and types of legitimacy concerning these arguments, all the propositions seems to have at least some counterpart in the real world. In other words, none of the rhetoric types fully match the found key arguments, but all three rhetoric types match some of the key arguments. Each rhetoric type tells only a part of the story of asserting social legitimacy, but together they seem to cover the main arguments very well.

First, five out of eleven themes support the institutional rhetoric linked to cognitive legitimacy. The pharmaceutical companies will produce social legitimacy if stakeholders understand and value this as appropriate, proper and desirable. Also, the corporate conduct is perceived to be meaningful and make sense (Suchman 1995). However, it is claimed that cognitive legitimacy is socially constructed, resulting in corporate unethical behaviour being perceived as a “life fact” (Suchman 1995). According to this research, cognitive legitimacy is sought through communicating the corruption eradication, being a role model of ethical behaviours in weak countries, creating a sound corporate culture, taking the environmental responsibility, and contributing to the public.

Second, five out of eleven themes support the dialectic rhetoric that is linked to moral legitimacy. Social legitimacy will be restored when societal perception of corporate conduct is not whether the public can derive any benefits from the company, but whether the company strives to follow socially acceptable and desirable norms, standards, and values (Suchman 1995). In this study, contributing to the public, reducing the environmental footprint, being an ethical role model in an unethical global economy, giving patients fair and satisfactory pharmaceuticals, and supporting and empowering global initiatives is communicated in the codes of conduct and could restore social legitimacy in the pharmaceutical industry.

Lastly, four out of eleven themes support the strategic rhetoric that is linked to pragmatic legitimacy. Pharmaceutical corporations will restore social legitimacy as long as the communicated codes give a clear impression of the benefits to the stakeholders, and how they can fulfil their self-interest (Suchman 1995, Carson 2015). In this research, illuminating the economic benefits, the necessity to keep a sufficient reputation, complying with laws and regulations, and being a business, give the stakeholders the knowledge to offer pragmatic

legitimacy if they recognize pharmaceutical operations in accordance with the stakeholders self-interest.

All three forms of legitimacy occur in the communicated pharmaceutical codes of conduct when using the Castellò and Lozano framework linking rhetoric types to forms of legitimacy, which matches with the proposition in the framework in chapter 3.

### **Pharmaceutical Codes of Conduct**

Based on the empirical material used in this study, a clear distinction between the two types of codes of conduct in the pharmaceutical codes of conduct is difficult to settle.

The principle-based code of conduct contains abstract expectations for how mission, values and corporate responsibility towards stakeholders should be fulfilled. In this study, all six of the case companies codes of conduct communicated their values and mission in their published documents. Additionally, the rhetoric strategies predominantly used were institutional and dialectic rhetoric, which is supported by abstract and general societal responsibility, fertilizing positively and intrinsically driven ethical conduct, and fits the principle-based code of conduct well (de Kiewit and Kiener 2015).

On the other hand, the rule-based code of conduct with concrete and detailed rules and standards is also used in the case companies external communication. All six case companies have detailed documents covering all aspects of corporate operations, apparently prescriptive and legalistic in their communication. In addition, the use of strategic rhetoric, covering four of eleven themes in the empirical data, supports the impression of rule-based codes of conduct in this research.

Analysing the accessibility of information in the pharmaceutical codes, the four layers presented by KPMG (2008) are identified. In the first superior layer, all six companies contain a mission and vision statement. As stated by Novartis where both the corporate mission and the vision are identified in two sentences: *“Our mission is to care and cure. We want to discover, develop, and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life”* (Novartis 2015). In the second layer the core values of the companies are communicated through the codes either directly, or as Pfizer does, through explaining their environmental and employee health and safety responsibility as

core values: *“Protecting the environment, and the health and safety of our colleagues, contingent workers, visitors and the communities in which we operate is a business priority and is core to Pfizer’s Values” (Pfizer 2015)*. This also touches upon the third layer, where the communication of what the company believes is and perceives as their responsibility to the company stakeholders is presented. How corporate conduct should be towards customers, shareholders, competitors, the environment, employees, and society is identifiable. The fourth layer of information in the codes of conduct is the standards and rules. In the six codes, as noted in KPMG’s survey (de Kiewit and Kiener 2015), the codes are extensive and elaborate on what is possible and acceptable and what is not. An example is how Roche distinguishes between permitted and prohibited conduct regarding corruption. *“We must not give or accept any gifts or entertainment that could raise any concerns regarding our personal integrity or Roche’s integrity and independence.” (Roche 2015a)*

These four layers of information make the basis for claiming social legitimacy since the explanation and justification are present. As Suchman claims, they are communicating why the conduct is right, and why things are as they are (Suchman 1995).

### **UN Global Compact and Other Global Initiatives**

Six out of six companies mention global initiatives in their codes of conduct, and UNGC was mentioned directly or indirectly in all six. As the case companies operate on a global scale such commitment seems required. This creates a communication oriented towards issues of legal obligatory behaviour, but also towards a focus on the welfare of human kind. In the codes this gets illuminated through the environmental focus, medication access, and social public contribution, underpinning the third generation ethics as being one of UNGC’s most important mission and aims. Thus, making global powerful corporations take their global responsibility and become a socially contributing global corporate citizen (UN 2015).

However, it is noteworthy that ethical issues such as recourse use, labour rights, human rights, and anti-corruption and sustainable development are rather sparsely mentioned in the corporate codes of conduct. When all six case companies have signed the UNGC, the vague communications could put the companies’ commitment in question, and shows tentative and ambiguous external communication.

### **Ethical Misconduct**

In the empirical data above, ethical misconduct is not directly mentioned. However, different strategies in the rhetoric are used to regain social legitimacy. Suchman (1995) says that companies operate with two strategies to regain legitimacy, normalizing and restructuring. In this study, it can be argued that the written communication use restructuring. A recurring implication in the codes of conduct is that all of the companies' aim to seek monitoring measures, such as governmental regulations or legislation. According to Suchman (1995) this strategy gives the public an impression of corporate devotion to preventing new unethical misconduct. In this way it can be interpreted that the pharmaceutical industry takes a moral responsibility for events without exemplifying that in their external communication. An example of this is GSK, who states that they are committed to meeting the highest ethical standards, and to obeying company policies and laws in any country in which they operate in (GlaxoSmithKline 2016).

Operating in the global market makes the industry vulnerable through the spread of information when unethical conduct occurs. The consumer perception of the company therefore changes at a fast pace, and places great demands on the companies for upholding the pragmatic and cognitive legitimacy. This means that the moral responsibility that the industry takes is communicated in the codes of conduct more easily for the purpose of regaining social legitimacy through regaining moral legitimacy.

## Chapter 6 – Discussion

This chapter aims to discuss the analysis of the findings in relation to the pharmaceutical market position and issues faced by the industry that are illuminated in this thesis. The discussion chapter adds to the previous analysis chapter to form the foundation for possible conclusions.

### **Moral Legitimacy or Window Dressing**

A strategy found in this study in the corporate rhetoric was the dialectic, a strategy closely linked to moral legitimacy. In order to restore social legitimacy, the moral responsibility has to be perceived by the public as a profound value in the corporate culture. The time estimate from a decline in social legitimacy and demolished reputation to a repaired reputation and societal approval takes years, even in the best circumstances. As the pharmaceutical industry has had several incidents of misconducts in recent years, a restoring of social reputation is a complex challenge, and several stakeholders have to be approached. In this study, the claim of social legitimacy is largely emphasized, communicated through moral legitimacy. All six case companies have in their codes of conduct the patient as a focus, and make efforts to show the public that pharmaceutical companies are concerned about patients and their illnesses. Ensuring patient safety could be interpreted as one of the industry's obligations to fulfill their public role, instead of only shareholders' interests. Kessel blames the pharmaceutical industry for insufficient communication to the public, resulting in a fading social legitimacy and demolishing reputation (Kessel 2014). A lack of educational programs to educate consumers and other stakeholders in the difficulty and cost behind developing new pharmaceuticals has created a knowledge-vacuum, giving the pharmaceutical industry a reputation in only being interested in revenue. Kessel points out two ways of solving this communicative blind spot. Firstly, the shift from scientifically trained managers to economic and legally educated managers and CEO's created a perception of the corporation as not interested in the patients well being or devoted to their health. The industry should aim for an increased interaction between medically scientific trained leaders and the public (Kessel 2014). Secondly, the industry has to educate the public on what they really do (Kessel 2014). Kessel (2014) claims that mass-media is simplifying both process of discovery of medications and the complexity of bringing new drugs to market because of head-liners in new technologies and breakthroughs in genomics. To restore their social legitimacy, the public has to be made aware of the complexity of pharmaceutical production and that this is in the best interest for the society. The process from idea to patented drug can take as much as 15 years, to odds

from discovery to licensed medication is 5000 to 1, and the development cost counts hundreds of millions of dollars. The misinformation in the pharmaceutical industry is only buying publicly financed research and is not bringing any pharmaceuticals into the market. This has to be communicated since the moral responsibility of the industry is being questioned (Kessel 2014).

### **Legitimacy and Reputation**

Legitimacy and reputation are closely linked, and building a reputation for performance can increase pragmatic legitimacy. A strong reputation can help corporations who deviate from standard practices, or exhibit unethical conduct, to maintain their status and legitimacy (Brinkerhoff 2005). However, to keep social legitimacy and reputation after unethical conduct demands a large strategic space. This could be claimed to be found in the pharmaceutical case companies, where the possibility to manoeuvre is huge, due to large economic resources and product portfolios. A recent example is how GSK is adopting a graduated approach to patenting its medications, depending on the wealth of different countries, in order to make drugs more affordable in the developing world (GSK 2016). Keeping a strong reputation after previous unethical events through restoring moral and cognitive legitimacy with enormous public contributions seems difficult: however pragmatic legitimacy is given from the stakeholders since the benefits and self-interest are easily recognised.

On the other side, the pharmaceutical industry's fading social legitimacy and the industry's use of resources is mismatch. There has been a steady decrease in recent years in social legitimacy and reputation despite the industry's increased efforts in public contributions. It could be questioned whether such initiatives strengthen or weaken corporate social legitimacy. One argument is that the aftermath of several years of unethical conduct still persists so the result of trying to change the public's perception of the industry is not seeing the results yet. The rapidly changing global societal environment creates a rapidly changing fundament for legitimacy (Palazzo and Scherer 2008). What is perceived as altruistic and positive conduct today could be seen as unethical and negative tomorrow. Pharmaceutical industry practices compared to other industries might be equal or better, however the societal perception of desirable, appropriate, and correct conduct is industry specific. If you want to be perceived as a socially positive contributor to world health, the height of fall is greater when ethical misconduct has occurred than if you are already perceived as a crook. Kessel claims that the higher the fall, the longer it takes to restore social legitimacy (Kessel 2014).



### **Ethical Breaches**

One very interesting result in this study was the omission of known ethical breaches. As the codes of conduct are one of the most important corporate documents of external communication to assert social legitimacy, they can be used to explain why things are as they are, and to justify why things were done as they were done (Castelló and Lozano 2011, Keller 2008). To restore social legitimacy after ethical breaches, explanations and justifications could serve to give the societal perception of correct and appropriate conduct if the ethical misconduct could be put in doubt as right or wrong. The conduct can be perceived as immoral if the public does not perceive it as desirable, correct, and appropriate, even when the outcome is beneficial to the stakeholders, and therefore social legitimacy is impossible to claim (Suchman 1995).

An approach pharmaceutical companies could communicate in the codes is to take the “bull by the horns”, and use the codes of conduct to explain and justify their ethical breaches. This could contribute to reducing the fading reputation and social legitimacy. It could be a shot in the dark, but if the public perceives the ethical misconduct as a necessity to maintain the production and distribution of life saving pharmaceuticals, social legitimacy could be re-established.

### **Motivation to Restoring Social Legitimacy**

Research (Hirsch 2008) suggests that profit motivated corporate social activity has a negative impact on consumer trust, and therefore can threaten social legitimacy. In this study, the arguments for rules-based features communicating the pragmatic legitimacy through the strategic rhetoric could do the same. Stakeholders will perceive or misperceive communication as important issues, as focus on growth and as shareholders benefits. On the other hand it might be the case that pharmaceutical companies are doing more than they communicate, at the risk of being accused of doing good for the sake of profit. The role of pharmaceutical companies communications then has to minimize the risk of misperception (PWC 2006).

On the other hand, Castelló and Lozano (2011) have recognised a shift from the economic utility-driven CSR, towards a more political communicative-driven concept in their social public responsibility. This shift in corporate strategy, to claim social legitimacy, reveals a strong link between corporate decision-making and stakeholders’ perception of moral

conflicts in their communication (Castellò and Lozano 2011). The pharmaceutical industry's motivation's to gain social legitimacy could be interpreted through the predominant use of dialectic and institutional rhetoric in their key arguments. This corresponds with Castellò and Lozano's findings that pharmaceutical codes of conduct are not solely economically and self-interest driven, but that the industry takes their societal role which merits their social legitimacy.

However, a counterargument is the industry's self-interest, which could put the corporate motivation to adopt codes of conduct in distrust and threaten its social legitimacy. Communicated through their codes is their commitment to their shareholders and the aim of profit-maximization. As one of the largest companies in the sector states: *"We will operate in the best interests of the Company and our shareholders, be forthright about our operations and performance, and exercise care in the use of assets, information and resources"* (Pfizer 2016). Adding the industry's societal position and the aim of profit and shareholder commitments makes the relationship between being a corporate citizen with the aim of the common good and not exploiting their favourable situation, difficult not to consider when interpreting the fading reputation. Hasbani and Breton (2012) illuminate the contrast in the company search for restoring social legitimacy. On the one hand, legitimacy from the shareholders depends upon what the corporations have to create to keep the shareholders satisfied. On the other hand is the societal demand of public contribution. In this case, and in particular in the pharmaceutical industry, there is a parallel process of gaining and restoring social legitimacy that could be a conflict of interest. This can be summarized as one legitimacy claim for the society as a whole and one for the shareholders with claims of return of investments.

### **Homogeneity**

A general perception throughout this analysis is the homogeneity in the codes of conduct and the arguments used to claim social legitimacy. Brinkerhoff (2005) sees this as one of the strongest threats, when corporations adopt structures, procedures, systems, and terminology of the same type. Since these structures, procedures, systems and terminology enjoy moral and cognitive legitimacy, corporations adopt them to increase their chances of success and survival (Brinkerhoff 2005). The use of codes of conduct to claim social legitimacy is therefore a way to respond when the industry reputation is fading, and when it is uncertain of how best to solve the problem. The common strategy is to imitate how other companies have

operated, leading to a homogeneity form of communication. In this strategy, the corporation's use of codes of conduct to restore social legitimacy is already perceived as legitimate, and homogeneity in the pharmaceutical industry's external communications, it could be argued, is a reasonable strategy to gain social legitimacy.

### **Typology**

In the analysis of the empirical data, a clear distinction between the two types of codes of conduct was difficult to settle. As claimed by EFPIA a shift towards a mixture of principle-based and rule-based codes of conduct seems to be a current trend in the pharmaceutical sector, and is confirmed in this study. Research (de Kiewit and Kiener 2015, Keller 2008) showed a difference in where the corporation originated, which influenced codes of conduct typology. An American based corporation seemed to have a more rule-based approach, whereas European based corporations were more principle-based. An argument for these differences was the regulative and cultural-historical variability. As global corporate citizens the pharmaceutical industry seems to have adopted the norms and traditions where they operate, and has converted the codes of conduct to fit the area of interest.

Noteworthy is the absence of codes of conduct in emerging markets. Asia possesses several of the fastest growing economies, and is now progressing toward a demographic transition with increased life expectancy and additionally having one of the fastest growing middle classes (Lindstrand 2007). Due to these reasons, Asia is a highly interesting context for the pharmaceutical industry to initiate their market measures. The global pharmaceutical companies in this study could be a possible contributor to setting new corporate ethical standards and guidelines on the Asian continent and in this way could be helpful in regaining their social legitimacy.

Being a mixture of rule-based and principle-based codes of conduct and containing dialectic and institutional rhetoric could confirm what Castellò and Lozano suggests is a sign of a shift from economic and utility-driven codes of conduct to more politically communicative-driven. This shift would imply a turn towards moral legitimacy and a communicative approach to misconduct to restore social legitimacy as a rhetorical strategy (Castellò and Lozano).

### **Global Role and Ethical leadership**

Due to the global presences there is an industrial requirement to promote the importance of the ethical framework in countries where the norm for such initiatives is imperfect, especially in corporate management. As the incidence of Asian corporations appearing on the Forbes Global 500 with codes of conduct is only 42%, the cultural expectation of ethical behavior could be questioned (de Kiewit and Kiener 2015). The case companies are, due to size and the global presences, considered opinion leaders and the ethical work done in these corporations as role models is very important. Through a top-down approach, from CEO to production assistant, acquiring an ethical work inculcated throughout the organization means not tolerating ethical misconduct. If management is given free passes after unethical behaviors it sends messages within the organization that calculated risk is permitted. This would, in the end, damage the corporate effort to build a strong ethical culture in the levels under corporate management. Additionally, strong ethical leadership could help in changing organizational norms in countries where pharmaceutical companies operate. The pharmaceutical industry efforts should therefore aim to narrow the moral free space to as small as possible, and minimize room for interpretation of what desirable moral conduct is (Fischer and Lovell 2009).

As six out of six companies directly or indirectly mention the UN global compact or other global initiatives in their codes, the industry's awareness of their global role seems present. According to Castellò and Lozano, putting global corporate activity in their framework is considered to be an opportunity to strengthen moral legitimacy (2011). Even though the majority includes the principles of UNGC, it does not seem to be profound in the corporate operation. Committing to global initiatives in their codes and taking global action does not demand the same social responsibility. Access to life saving medications, is by UN standards, still a global public foundation for criticism. Expenditures on pharmaceuticals for developing countries accounts for a major part of health costs; this means that the availability is dependent on affordable medications (UN 2016).

The industry initiative to subscribe UNGC as a value-driven code of conduct can be viewed as a conceptualisation of human rights, and strengthens the commitment to the normative and ethical issues relevant for the corporations. Such voluntary initiative from the pharmaceutical industry to comply with the UNGC could also be seen as an attempt to reinforce corporate

hypernorms. With less room for individual or domestic interpretation of corporate conduct, this could help reduce the threat of losing social legitimacy and individual ethical breaches.

### **Patents and TRIPS**

Patent protection is acknowledged as a legitimate incentive for research and development of new medications, at the same time the extensive patent rights through the Trade-Related Aspects of Intellectual Property Rights (TRIPS) prevent developing countries from producing or buying generic drugs at a lower cost. The United Nations Development Program (UNDP) has questioned the compatibility of the TRIPS agreement with human rights laws because of its impact on access to essential drugs in developing countries (WHO 2015). The codes of all six case companies do not correspond with the aim of a social public contribution or ensure patient safety, and could put the commitment of the external communication in doubt. UNDP states that even when codes of conduct in the pharmaceutical sector contain terms such as “differential”, “tiered”, “preferential”, “discounted pricing”, and “market segmentation”, it does not necessarily equate to affordability and better access to life saving medicaments (WHO 2015). According to Hoen, does the figures speak for themselves, one-third of the world population lacks access to the most basic essential pharmaceuticals, in the poorest parts of Africa and Asia this figures climbs to one-half (Hoen 2005). Despite the enormous burden of diseases in the developing countries, and of the 1,233 new drugs approved between 1975 and 1997 only one percent specially treat tropical diseases, which could question the commitment in the communicated global initiative to claim moral legitimacy (Hoen 2005)

It can be claimed that the pharmaceutical sector wants to innovate to help save lifes, however to do so the society has to understand that the patents system has to be protected and reinforced since innovation depends upon profit (Hasbani and Breton 2013). To be able to help more people and to adhere to their public promise, the company must be successful in the market. The external communication in this case has to make the public aware of the cost, time, and effort the industry needs to create new medications, and that the market mechanisms create the industrial demand for patent protection. Patents in the pharmaceutical industry equal product, and production of replicates is minimal. To secure investments patents are crucial.

According to Kessel, there is a weakness in the communication of the industry targeting civil society, which is disturbed by mass-media and interest organizations (Kessel 2014).

Simplification of R&D processes, little or lack of nuances in need of patent protection, and industry stereotyping create hard conditions for restoring social legitimacy in arguments of prices and patents. A strategy to educate the public is required to be able to restore social legitimacy.

## Chapter 7 - Conclusion

The goal of this thesis was to gain a better understanding of rhetoric strategy used in the pharmaceutical sector to gain and restore social legitimacy. The on-going globalization process is creating an economic transition from domestic to international market interests, and challenges of having anarchy in the global scene exist where no broad standards, normative or legal, have to be met. With a rapidly growing pluralistic and heterogenic society in regard to values, moral and ethical standards make the question of rightful social legitimacy a critical issue for global corporations to handle. The topic was found interesting primarily due to the market position and the fading societal view of the sector, and the concurrent focus on ethical guidelines in global industry in general and the pharmaceutical industry particular. The pharmaceutical industry, codes of conduct and legitimacy were studied, and based on knowledge of this corporate external communication, rhetoric was analysed to shed light on the six largest global pharmaceutical companies strategy to restore social legitimacy. The key arguments of the six companies and three interviews were grouped into categories matching Castellò and Lozano`s (2011) rhetoric themes, and analysed through the framework of three types of rhetoric linked to three types of legitimacy. Finally, the analysis was discussed, and a conclusion was drawn.

Eleven key arguments communicated by the pharmaceutical industry to assert social legitimacy were found with a relationship to the rhetoric themes. These themes are claimed to have a link to rhetoric strategies with a connection to three legitimacy types. The arguments in the six case companies confirmed what seems to be a current global trend, with a shift towards a focus on moral legitimacy.

Pragmatic legitimacy is well represented in the case companies' codes of conduct in five of the found themes. All stakeholders with direct self-interest in the corporation are reached, and this pragmatic legitimacy emerges as the exchange of this direct relationship in explaining the corporate action. Also, cognitive legitimacy is grasped through four of the themes where it aimed to communicate their appropriate, proper, and desirable conduct. The corporations explain their benevolent actions and they are doing it loudly to reach all stakeholders in order to provide the industry social legitimacy.

Still, most visible in the case companies' codes is the communication striving for moral legitimacy. As a global industry this also seems necessary to contain due to no broadly

accepted normative standards (Castelló and Lozano 2011). The pharmaceutical industry's aim of operating socially correctly and desirably and to contribute to society, without offering direct benefits to the stakeholders is interpreted as a major part of the communication in the codes of conduct to restore social legitimacy. In this research, the pharmaceutical industry is answering to what seems to be a present global demand of ethical conduct through the so-called third generation corporate ethics, communicating the corporate global standards, and social contribution. This interchange between corporation and society creates the livelihood of the industry, since corporate decision-making becomes open for the civil society to be judged as legitimate or not. This communicative activity creates moral legitimacy that could contribute to solving the issues of social legitimacy and global industry, with growing complexity of cultural life and background, when corporations support their codes with conduct close to stakeholder values and beliefs. Castelló and Lozano see this in contrast to the economically self-interested idea of ethical guidelines, since moral legitimacy is expressed through a coordination of mutual understanding and agreement (Castelló and Lozano 2011).

As suggested by Hasbani and Breton (2013) pharmaceutical companies use discursive strategies in four actions to restore social legitimacy. Educating the public, trying to change public perception, manipulating perceptions on the changing focus, and trying to change the societal expectations. In this thesis the impression in general was a strategy of getting society to interpret corporate actions as desirable, appropriate and proper. However, the pharmaceutical interaction with the public is, according to Kessel, under-communicated in terms of operational challenges, whereas mass-media and critical stakeholders manage to reach the public and create a poor foundation for the industry in claiming rightful social legitimacy (Kessel 2014).

Pharmaceutical Codes of conduct seem to be a cross between rule-based and the principle-based codes of conduct. As the global tendency is rather leaning towards rule-based codes of conduct, due to a significant increase in legislations, regulations, and enforcements that require corporate rules, the pharmaceutical codes in this study comply with this trend. This study found a clear communication of the companies' mission and values, and at the same time a very detailed and concrete list of standards and rules, making the codes a mix between the two with the majority being rule-based characteristics.



As being part of a globalised industry, the focus on the UN global compact and other global initiatives was present in all case companies codes. The societal demand for global corporate citizenship in the pharmaceutical industry seems crucial for asserting social legitimacy. This third generation ethics effort in dialectic rhetoric could indicate an aspiring moral legitimacy since corporate communication is opening up to civil society discourse. As Suchman (1995) claims, moral legitimacy results from communicative activity, where the actors convince the other part to take collective action or decide which direction is suitable. The result is that the corporate support of their codes of conduct, are close to the industry stakeholders values and beliefs.

It becomes more evident that societal environment surrounding the pharmaceutical industry is changing at a global scale, as claimed by Palazzo and Scherer (2008); if the environment changes, so does the fundament for legitimacy. Global initiatives to secure, gain, and restore social legitimacy seem more crucial than ever. Intruding into domains traditionally belonged to the political sphere to gain industrial legitimacy with self-imposed self-regulative ethical guidelines. However, there is, as stated by Suchman (1995), a danger in corporate engineering of moral legitimacy by manipulation of societal discourse and opinion. This involves adopting highly visible and ethical conduct due to societal pressure, while leaving essential corporate conduct intact and off the societal radar.

Ethical misconduct has been a reputation and legitimacy demolisher in the pharmaceutical industry. Critical voices could state that the alleged engineered attempt in creating moral legitimacy through codes of conduct claiming high ethical standards, values, and public contribution one day, and making \$3billion in settlements the next could make one question the credibility and good faith in the companies, which even increases moral indignation and further reduces public acceptance.

However, the shift against dialectic rhetoric and moral legitimacy could be a sign of stronger commitment in their codes of conduct when corporate conduct actually follows the corporate codes. When society acknowledges the corporate conduct as appropriate, desirable, and correct, the dialectic rhetoric could be a tool for restoring social legitimacy. The dialog with the stakeholders that provides the industry social legitimacy through corporate codes of conduct has to be adaptable to the changing global environment. Social legitimacy is managed through a bidirectional game of company and stakeholders, and the meaning of the

corporation has to be visible to maintain its position. The focus on communicating moral legitimacy in this case study can be interpreted as an attempt to answer to the globalisation issues of loss of national governance and increased individualisation, and as a necessity to be perceived as a meaningful and predictable. Brinkerhoff sees this as a key factor for success, a perceived normative, legal, sociological and cultural meaningful existence (Brinkerhoff 2005).

The pursuit of social legitimacy is not a lost battleground. Most of the ethical misconduct resulting in the fading reputation and legitimacy is caused by the industry itself, and it should therefore be possible to solve it.

### **Reflections and Further Suggestions**

It seems to be a general assumption that the pharmaceutical industry's focus on ethical behaviour can be good for business, and this study was intended to investigate what arguments the industry uses in their codes of conduct to restore their fading social legitimacy.

The method of rhetoric analysis can be used in other case studies on legitimacy claims to increase understanding of codes of conduct communication. However, a longitudinal study would contribute to other knowledge of the area since it could explore changes over time, and the possibility to identify rhetorical changes and other legitimacy claims as well as in changes in stakeholder pressure, societal environmental changes, and fiscal and political instability. Another suggestion is inclusion of a larger dataset, with annual reports, CEO statements, web page communications, and more interviews, since such studies could present a more comprehensive picture of corporate external communication.

The methodological ambition in this thesis was to achieve insight into some of the main aspects of corporate external communication through their codes of conduct, which was helpful to structure the analysis. The rhetorical analysis helped to understand how the pharmaceutical industry used the codes to illuminate their intentions and actions.

Further, an inquiry of the relationship between compliant and ethically responsible employees and implementation of codes of conduct in the pharmaceutical industry, and the connection to internal and external pressure of economic objectives, could also add to knowledge of the industry's challenges in the question of legitimacy.

In this study, the ambition was to investigate the corporate communication, the codes. A future study on the corporate behaviour and their concrete actions, the conduct, could reveal whether social legitimacy is rightfully claimed. There is a need for corporations that want to restore social legitimacy to be engaged in societal discussions and to discuss with stakeholders important issues concerning the industry (Palazzo and Scherer 2008). Access to affordable medication is an example that could be a vital corporate social responsibility, and therefore a central part of their external communication as an achievable aim, and in the end social legitimacy could be rightfully claimed.

Throughout the study a recurrent question arose: “What’s the point of striving after social legitimacy for the pharmaceutical companies when the market position favours the industry?” This could be a question for further research, a study on pharmaceutical industry commitment in their codes of conduct could expose whether they stuck with their claims of rightful social legitimacy. As the pharmaceutical market is not very cyclical and is subject to market fluctuations, the need for claiming social legitimacy seems unnecessary, as long as they gain pragmatic legitimacy.

### **Limitations of the Study**

A limitation of the study was the selection of companies. The choice was made because of time frame and to limit the scope of the research: this created another limitation namely the accessibility to corporate representatives. Only a few of the companies were positive in their request of interviews. This was confirmed by another limitation, the interview setting. Interviewees appeared very conscious in how to present the company view of codes of conduct, and never left from script.

Another study limitation was resources in terms of prior knowledge of the field. This study was initiated with only brief knowledge of the pharmaceutical industry, however their role in the global community was known. In order to understand the interplay of industry and society in terms of legitimacy, a large portion of time was used to get familiar with the literature.

### **Final Words**

In the pharmaceutical industry, records profits have almost been the norm during this century and with record profits a source of legitimacy issues occur. Mergers and fusions make the

sector oligopolistic with a steadily decrease in important corporations, which puts the pharmaceutical industry under societal pressure in the matter of social legitimacy. There is no question of what is the industry's social role; its function is to help people to regain health or to control chronic diseases. As these functions are seen as essential, people are willing to accept high levels of profits, and also demand the protection of patents. In a globalised sector, where the control of price setting is not a governmental affair in several countries, pharmaceutical companies have also been accepted by society. However, from time to time the societal perception that corporate conduct is unethical and a questioning of their social legitimacy will be raised.

As claimed earlier, the external communication from the corporations' codes of conduct is pivotal in order to establish trust in the global pharmaceutical industry as a whole. With this trust, the basis of corporate social legitimacy can be restored (de Jonge et al. 2010). Therefore, in the pharmaceutical industry it is not only what the corporation does but also how the corporation frames and communicates what it does that is important to claim social legitimacy. The society is the power dimension deciding whether social legitimacy is rightfully claimed or not.

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## Appendix 1

### The Ten Principles of the UN Global Compact

Corporate sustainability starts with a company's value system and a principled approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Appendix 2

### Interview Guide Codes of Conduct

- Since when did your company have a code of conduct, (or ethical guidelines or similar) as in **today's** format? Do you know the history behind them?
- There been noticed a global increase in effort on corporate ethical guidelines. What do you think was the reason of the increased focus on codes of conduct?
- Could you explain the main aims of your code of conduct in the present format? What are your aims by using them? Have the aims changed since the last decade?
- Do you think that your codes of conduct are clearly communicated to the employees? How is it communicated? In regular meetings? In courses? Only on the company website? Other? And: For all employees, or only some? And how often?
- How do you secure that your business employees level of integrity improves? Does this integrity get trained? If yes, how?
- Would it be possible in your company not to have codes of conduct, or ethical guidelines? If not, why not?
- To which extend does your company implementation of code of conduct affect of public pressure? Do you see any regional or national differences in your area of responsibility in the implementation?
- Does your global presence influence the necessity of having a code of conduct? If so, how and why? Has it been any effect in the industry of the adoption of codes of conduct? If yes, have this been investigated?
- Has your type of industry affected your development of your code of conduct?
- Do you agree or disagree in this statement? Please elaborate. Stringent codes of conduct can conflict with economic results, as they can mean increased costs for companies. In what way do you see the relation between codes of conduct and operational efficiency? Is there a conflict? -if so how is it handled? -What are the largest challenges with implementing codes of conduct and culture differences when operating at global scale?