

Benefits of implementing Sustainable Business Practices for the Indian Pharmaceutical industry

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ABSTRACT

The Brundtland Commission 1987 has defined sustainable development as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. The Indian Pharmaceutical Industry has realised the importance of sustainable development and has started taking steps in integrating the same in the business operations. Companies have started integrating the sustainability principles in their business processes starting right from strategic thinking and going down to shop floor activities. The present study is based on data collected from 24 top companies from the pharmaceutical sector to understand the benefits that they get from implementing sustainable business practices in their strategic management process and their day-to-day operations as well. Companies have realised that other than long term sustainability and economic development, practicing sustainability also has various other benefits such as competitive advantage, satisfaction of stakeholders, positive customer feedback, reduction in employee turnover, improved brand image, etc.

KEYWORDS

Sustainable development, pharmaceutical industry, sustainable business practices.

INTRODUCTION

Businesses have always existed with a sole purpose of earning profits, by making use of natural resources available to them, without limitations. However, since 1995, businesses have taken a keen interest in the concept of sustainable development¹. In 1983, The United Nations formulated a committee that was given the task of preparing a ‘global agenda for change.’ This committee came up with a term ‘sustainable development’ that the committee defined as the “the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs”.² Various scholars later defined sustainable development from different angles with emphasis on different factors. But the triple bottom line approach, mentioned by John Elkington in his book ‘Cannibals with Forks’ has been widely accepted. Elkington put sustainable development on a three-pronged fork, each of the prongs being important aspects of the system in which we exist. The three

¹ Portney K. Sustainability

² World Commission on Environment & Development, Our Common Future, Oxford University Press, 1987.

parameters, as defined by Elkington, which broadly determine sustainable development are: 1. Environmental development, 2. Social development and 3. Economic development. The reader must hereby understand that these three parameters are not separate but are to be viewed as intertwined to lead to an integrated approach to sustainable development.

As we saw forthwith, that businesses exist for economic benefits only, the whole existence and purpose of a business organization is in contradiction with the bottom line of the principle of sustainable development. It is thus a great challenge to weave in the thread of sustainability in the fabric of business. However, in the last couple of decades, the business community has realised that their survival is now at risk along-with the survival of the human race and in order to survive and sustain long-term, they must join hands with various other players, such as the governments, non-governmental organizations and the community as a whole to ensure that the human race survives and that life is sustainable on the planet. With this realization, business organizations are finding new ways to optimise their resource use and simultaneously ensuring social welfare and economic growth.

India, the most populous democracy of the world, boasts of a population of 1.2 billion people. The growing democracy is in constant need of healthcare products in order to prevent, cure, treat and mitigate health problems, diseases and disorders. The onus of providing better health to 1.2 billion people of the country lies majorly with the pharmaceutical sector of the country. The Indian Pharmaceutical industry is the largest supplier of generic drugs in the world according to a report by www.ibef.com. The value of the Indian pharmaceutical sector was recorded to be US \$ 33 billion in 2017. The country's pharmaceutical industry is ranked at number 3 volume wise in the world.

The pharmaceutical industry is dedicated to development of new treatments and remedies that enable the patients to enjoy longer, healthier and more productive lives. Owing to its mission and purpose, the onus of the social health and the resultant economic development lies on the pharmaceutical industry. Also the companies must do this with keeping check on the environmental effects their activities have on the nature. The companies in the pharmaceutical sector have to be more responsible and operate sustainably. Apart from the responsibility factor, there are other factors that also contribute to the motivation for the pharmaceutical industry to operate sustainably. This paper takes an overview of these factors.

METHODOLOGY & SAMPLE SELECTION

This research is based on a mixed method research design. Data was collected through a questionnaire and also through semi structured interviews. Quantitative data was collected through a questionnaire and then analysed using statistical techniques. Qualitative data was collected through interviews conducted in person or via telephonic communication and the data was analysed. Both the quantitative and qualitative data were compared and then the combined results were noted.

The companies considered under this study were selected on the basis of the S&P BSE Healthcare index. Those companies that were included in this index and also had some form of responsibility/ sustainability reporting were included in this study.

HYPOTHESIS

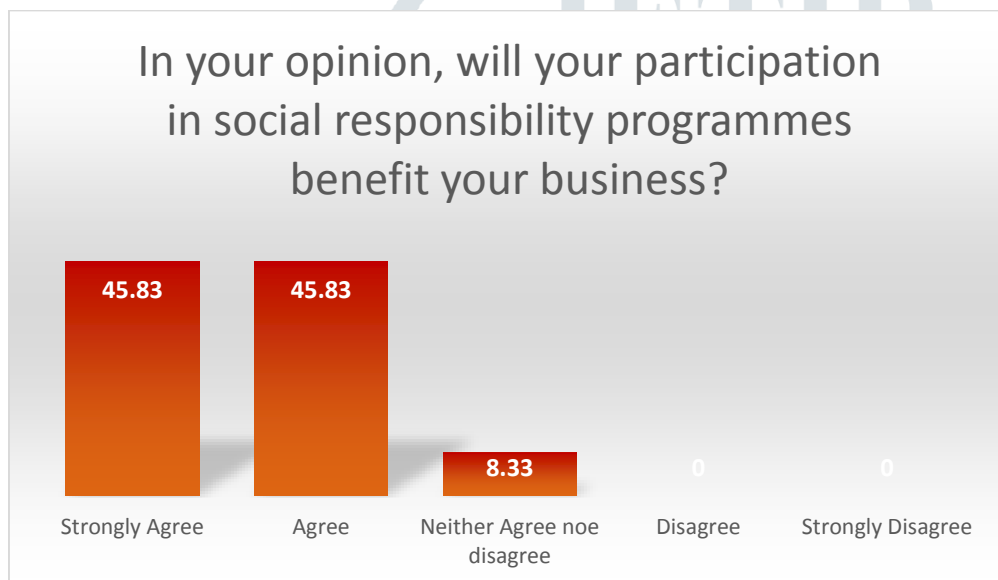
H₀: Pharmaceutical Companies that implement sustainable business practices do not have any benefits.

H₁: Pharmaceutical Companies that implement sustainable business practices have various benefits.

ANALYSIS AND RESULTS

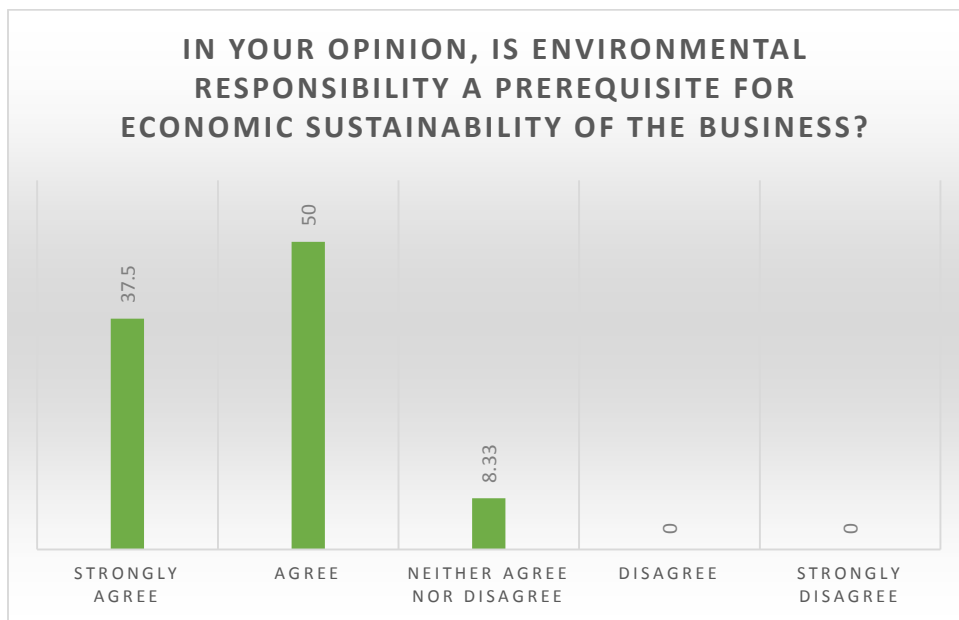
The companies were asked various questions relating to the sustainable business practices implemented by the company. The analysis of the same is given below:

1. In your opinion, will your participation in social responsibility programmes benefit your business?



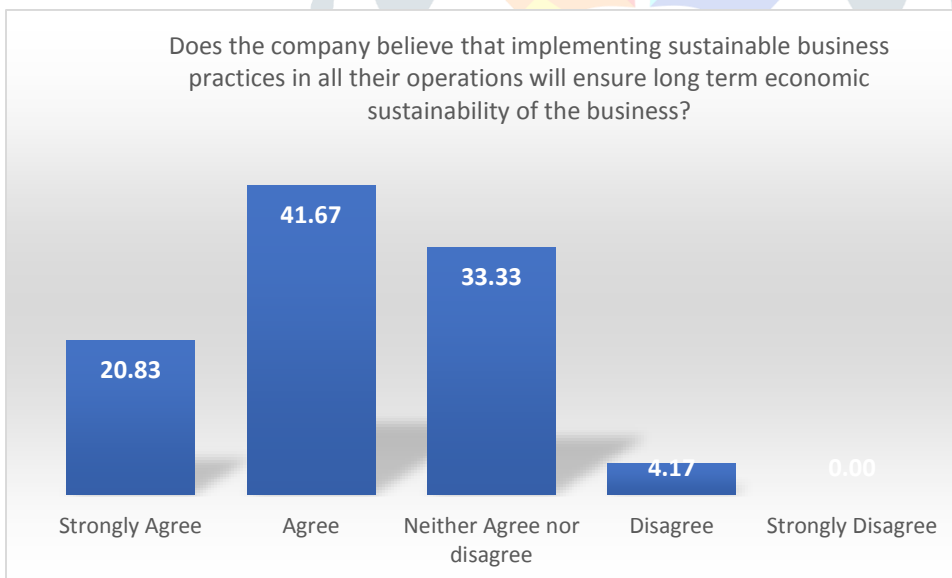
Of the 24 companies surveyed, approximately 46% companies strongly agree that they benefited by participating in social responsibility programmes, and approximately 46% agreed. About 8 % neither agreed nor disagreed.

2. In your opinion, is environmental responsibility a prerequisite for economic sustainability of the business?



Companies understand that in order to be economically sustainable, they need to invest in environmental sustainability. More than 80% companies either strongly agreed or agreed to this. 8% neither agreed, nor disagreed.

3. Does the company believe that implementing sustainable business practices in all their operations will ensure long term economic sustainability of the business?



Out of the surveyed organizations, about 42% agreed that in order to ensure that companies achieve long term economic sustainability, they need to implement sustainable business practices. 21% companies strongly agreed and 33 % neither agreed, nor disagreed. A meagre 4% disagreed that there is a connection between the two.

4. Have the sustainable practices helped the company in the following?

- Improving the brand image
- Satisfaction of all stakeholders

- Positive customer feedback
- Reducing employee turnover rate
- Improved Competitor advantage



All the companies found that operating sustainably has led to improved brand image, satisfaction of all stakeholders and improved competitor advantage. 87.5% companies found that sustainable business practices helped them get a positive customer feedback and 83% found it to help in reducing employee turnover.

HYPOTHESIS TESTING

Chi square test was employed to analyse the statistical data:

Test Statistic: Chi Square Test

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where O is the observed frequency

E is the expected frequency

Degree of freedom= 4

Level of significance= 5%

$$\chi^2_{cal} = 27.25$$

$$\chi^2_{tab} \text{ for degree of freedom 4 at 5\% level of significance} = 9.488$$

Decision Criteria: χ^2 cal > χ^2 tab

Since χ^2 cal is more than χ^2 tab, reject null hypothesis

Hence accept H_1 : Pharmaceutical Companies that implement sustainable business practices have various benefits.

CONCLUSION

It is observed from the research conducted, the companies in the pharmaceutical companies understand that implementing the sustainable business practices has varied benefits including competitive advantage, satisfaction of stakeholders, positive customer feedback, reduction in employee turnover, improved brand image, and long term economic sustainability.

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