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## Article

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## **PRACTICES REGARDING THE FORMS OF COMMUNICATION WITH THE CONSUMERS USED BY A MULTINATIONAL COMPANY AT GLOBAL AND LOCAL LEVEL**

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### **Abstract**

This study is motivated by the importance of communication with consumers in the pharmaceutical industry. We view communication as part of the company's responsibility towards consumers. The aim of this study is to examine the communication mechanisms of corporate social responsibility practices related to consumers in the pharmaceutical industry in a multinational, by comparing the Romanian's subsidiary practices with the global ones. The data is extracted from the annual reports issued by a multinational company from 2010 to 2012 and from the only social responsibility report issued by its Romanian subsidiary (2011). The information is analysed both from a quantitative and a qualitative point of view. We employ the legitimacy theory, and particularly the three types of legitimacy – pragmatic, moral, and cognitive, in order to analyse the reporting practices. We find differences in the reporting channels and forms between the global firm and the Romanian subsidiary. Also, the results are important for the specialized literature and indicate that the multinational uses different types of legitimizing discourse than its subsidiary. We contribute to a better understanding of the corporate social responsibility reporting by addressing the communication towards the consumer as a key stakeholder and by investigating the manner in which reporting works at global and local levels.

**Keywords:** communication, consumers, organizations' responsibility, pharmaceutical industry, legitimacy theory

**JEL Classification:** M14, Q56

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### **Introduction**

Corporate social responsibility (CSR) activities are increasing in the last years, but differences remain between countries, industries and companies. CSR practices are based on a stakeholder legitimacy approach in which various groups' interests and goals are balanced: shareholders, consumers, employees, suppliers, creditors, government, and community. The communication with these stakeholders is a central issue of CSR and

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providing complete, timing and accurate information is very important. “Socially responsible’ simply means responsive to the concerns of society” (Sparks, 2003, p. 4), but companies’ response is modelled by the expectations of “the two classes of 'stakeholders' who really do matter to them: consumers and shareholders” (Sparks, 2003, p. 3).

This study is motivated by the importance of communication with consumers in the pharmaceutical industry (Oxfam, 2002; Consumers International, 2006), given the magnitude of this industry and of consumers as key stakeholders. We view communication as part of the company’s responsibility towards consumers. The aim of this study is to examine the communication mechanisms of CSR practices related to consumers in the pharmaceutical industry in a multinational, by comparing the Romanian’s subsidiary practices with the global ones. We focus our analysis on the use of voluntary disclosures to send signals, to present the management’s view on various issues and to legitimate the organization (Cho and Patten, 2007; Cho, 2009). The pharmaceutical industry represents an excellent case to examine the organizational disclosures and the communication with consumers because of its social importance and potential responsibility issues (Adams and Kuasirikun, 2000; ECORYS, 2009). This industry “is living the tale of two markets” (PWC, 2012) in the sense that there are different opportunities and threats in mature developed markets and in the less developed ones. Besides the differences generally identified in CSR reporting between these two groups of markets (Zaharia and Grundey, 2011), the characteristics of this industry justify the comparison of practices between developed and developing countries. Therefore, this research is driven by the need to investigate the context of emerging economies, which is less researched in depth in the area of CSR reporting towards consumers (Jamali and Mirshak, 2007; Belal, Cooper and Roberts, 2013; Beddewela and Herzig, 2013). Also, we further explore the role of multinationals in contributing to the improvement of CSR practices (Obrad, et al., 2011). The purpose of this paper is to analyse the reports of a multinational company and its subsidiary from the perspective of the responsibility towards the consumers. The hypotheses of this research are: the communication with the consumers is very important for the pharmaceutical companies; there are differences between the ways a multinational company or a company in an emerging economy are legitimating themselves in front of the consumers.

One of the contributions of the paper is the use of the legitimacy theory to analyse the annual and CSR reports, as this theory was previously used especially for the analysis of the environment reports. Being legitimate “enables organisations to attract resources necessary for survival (e.g. scarce materials, patronage, political approval)” (Hearit, 1995, p. 2, cited by Tilling and Tilt, 2010). The annual report is “the most important document in terms of the organization’s construction of its own social imagery” (Gray, et al., 1995: 82 cited in Tilling and Tilt, 2010: 62). Also, annual report has a significant influence on how the market and the stakeholders perceive and react to an organization (O’Donovan, 2002). Besides being read by the organization’s relevant publics, the annual report possesses a degree of credibility not associated with other forms of advertising. This apparent credibility and the dissemination of the annual report to relevant publics provide managers with a unique opportunity to project a particular organizational image for their relevant publics (Guthrie and Parker, 1989, p. 344).

The rest of the paper is organized as follows: the literature review builds the motivation of the paper and provides the gaps in the current literature which will be addressed. The next

section presents the research methodology, comprising the theoretical framework derived from the legitimacy theory and the research method. The analysis of results follows, with separate investigation of the Romanian subsidiary and of the multinational. Finally, the conclusions of this study and future research directions are presented.

## **1. Communicating with the consumers and the CSR practices**

### **1.1 CSR reporting as a communication tool**

The conventional model is focused on financial results and on the investors as primary stakeholders, but in the last decades the importance of a business model focused on the long term value creation for a variety of stakeholders is emphasized (WEF, 2011; Saghroun and Eglem, 2008). The CSR is based on the idea that a business contract exists between organizations and society, and organizations should be accountable in the sense of providing an account of their actions to society (Woodward, Edwards and Birkin, 1996; Pamfilie et al., 2013; Mustață et al., 2013). Consequently, the social contract between organizations and society results in disclosures as means of communication. Since the economic success is analyzed in relation with all the stakeholders, organizations should detect the groups with identifiable interests and consider them both in strategy formulation and implementation and in communication activities. In order to communicate with their stakeholders, organizations might use annual reports, CSR reports or integrated reports, but also press releases, company brochures, and other media channels (Tilling and Tilt, 2010).

The quantity of information disclosed by organizations to their stakeholders expanded significantly in the last years, but mainly as voluntary disclosures (Verschoor, 2011) associated with the annual report (included or as a separate document, such as a CSR report). There is a reduced level of standardization in this area and there are various manners of presenting the CSR information, because of various organizations involved in providing reporting guidelines and because of the industry-specific guidelines. Initiatives exist in order to increase the coherence of CSR reporting. For example, The Global Reporting Initiative (GRI) developed the sustainability reporting framework which is preferred by many multinationals (Wensen, et al., 2011), while more recently the International Integrated Reporting Council proposes a framework for integrated reporting.

Bebbington, Larrinaga and Moneva (2008, p. 339) argue that while reputations may be viewed “as having some basis in organizations’ actions”, they are also “constructed by others via their perceptions of these activities”. Similarly, Brady (2005) (cited by Cho, et al., 2012) notes that reputation is based on individuals’ images of the firm, and while image and reputation are closely related, it is the potential for image manipulation that suggests performance might not always be reflected in perceptions of corporate reputation.

Prior studies provide evidence indicating that CSR disclosure may be successful in improving perceptions of corporate reputation. Toms (2002), based on an overall sample of 215 UK firms, codes annual report environmental disclosure quality and finds that higher levels of disclosure are positively associated with the “community and environmental responsibility rating” from Management Today’s surveys of the most admired companies in the UK. Brown, Guidry and Patten (2010) test whether the first-time issuance of a stand-alone sustainability-type report by a sample of 59 US corporations led to changes in Fortune most admired scores adjusted for the financial halo effect identified by Brown and Perry (1994). Brown, Guidry and Patten (2010) do find that report quality (measured using

a 55 point content scheme derived from the GRI's G3 reporting guidelines) is positively associated with changes in reputation.

A difference in CSR reporting was seized between more and less developed economies. It is argued that CSR concepts are originated from developed countries and in less developed economies are applied mainly by multinationals (Obrad, et al., 2011). Belal, Cooper and Roberts (2013) underline the importance of accountability and transparency for less developed economies, complete and transparent reporting being viewed as a mechanism to hold companies to account for their impacts within these economies. The prior research on Romania-based organizations (Băleanu, Chelcea and Stancu, 2011; Coca, Dobra and Vasiliu, 2013; Obrad, et al., 2011; Zaharia and Grundey, 2011) reports that CSR practices represent mainly imports that the local environment partially assimilates, that the communication and transparency are limited, and mainly considered as means to increase the reputation.

### **1.2 Consumer – stakeholder of the CSR reporting**

The organization's reputation and image constructed through CSR practices significantly influence future sales and profits (Saghroun and Eglem, 2008) and consumers should be acknowledged as important stakeholders. From the consumer viewpoint, CSR refers to consumer rights, responsible behaviour (not only philanthropy), production in sustainable and ethical way, and transparency in communication (Consumers International, 2006).

Various tools might be used to analyze if the organization's communication through stakeholders is balanced between various groups. For example, the Balanced Scorecard approach proposed by Kaplan and Norton (1992), which distinguishes between four areas of reporting (financial, customer, internal business process, and learning and growth information) might be used.

Other works provide detailed stakeholder model for reporting in which communication towards customers through various reports is explained. In the value creation framework WEF (2011) discuss two types of market value drivers: financial and non-financial (human capital, customer relations, society, environment, innovation, and corporate governance). For customers, the following aspects are considered to be important: customer loyalty, retention, reputation, trust, price, product, service quality, and competitive positioning.

On the other hand, in designing a stakeholder model for reporting, Woodward, Edwards and Birkin (1996) provide some insights useful for understanding the construction of accountability through customers. Customers expect quality, service, safety, delivery and product development, and the general public expects safety of products and contribution to the community. The accountability is manifested through various means, such as reports, press releases, and advertising. Consumers International (2006) underline that consumers have attitude and behaviours shaped by the media, and therefore how organizations communicate their CSR practices is very important.

While many studies investigate how balanced are the reports issued and how organizations communicate with various stakeholders others than investors (Bogdan, Ioan and Sandu, 2007; Cho, 2009 etc.), only few are focused on the communication with a specific group of stakeholders. For example, Saghroun and Eglem (2008) are focused on financial analysts, and Consumers International (2006) discusses the communication with consumers. In Romania there are a few studies addressing the communication with customers through

corporate reports. Bogdan, Ioan and Sandu (2007) find in a context of a privatizing company that communication towards consumers increases, but remains at lower levels comparing with other stakeholders. Other studies find that consumers are perceived to be important stakeholders (after the community as the main stakeholder) and are considered to be the most prepared to take into consideration wider issues than the organization's products (such as environment etc.) (Băleanu, Chelcea and Stancu, 2011). These results require further investigation of how organizations communicate with consumers through their reports.

### 1.3 The CSR practices in the pharmaceutical industry

While CSR practices represent an important issue, it is considered that companies in industries with a significant corporate social issues are more active in communication and reporting in this area (Adams and Kuasirikun, 2000; Cho, 2009; Zaharia and Grunday, 2011). Prior research was conducted in the oil industry (for example, Cho, 2009), tobacco industry (for example, Tilling and Tilt, 2010) and chemical and pharmaceutical industry (Adams and Kuasirikun, 2000). The pharmaceutical industry has a diversity of political and ethical issues (Adams and Kuasirikun, 2000) and spends more time and resources producing and communicating information than it does on production of medicines (Collier and Iheanacho, 2002). Therefore, the pharmaceutical industry is a fruitful field for research on CSR practices. The products sold in this industry significantly impact on consumers' life and therefore the communication towards consumers is a critical part of CSR reporting.

The pharmaceutical industry has grown in value by 700 per cent since 1980 (Oxfam, 2002), and pharmaceutical companies are major stakeholders in the global health agenda (Consumers International, 2006). But despite the financial success, the industry is under criticism for social responsibility failures in the last decades (Consumers International, 2006). While many companies in this industry embraced the CSR values and produce and publish CSR reports, there are many cases in which communication is weak (Oxfam, 2002; Consumers International, 2006). Adams and Kuasirikun (2000) also find differences in time and between countries in terms of the nature and patterns of reporting in this industry. They also find that multinationals have an impact in the countries they operate.

The pharmaceutical industry does not only serve the individual, but also the public goal (increasing public health) (ECORYS, 2009). Consequently, communication with consumers in this industry and CSR practices are closely related to society or community as a key stakeholder. This leads to a potential conflict in the sense of a strategy focused on profits or on the pursuit of public health (ECORYS, 2009) and may lead to tactics which may not be to the consumer's benefit (Consumers International, 2006). Therefore, additional research is justified in this area, especially as there are different expectations in this industry in emerging economies than in developed markets (PWC, 2012).

## 2. Legitimacy theory

Corporate legitimacy is a key concept of the corporate social responsibility discourse. Suchman (1995) defines legitimacy as "*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.*" The concept of legitimacy therefore refers to organizational actions that are congruent with overall social expectations (Matthews, 1993). Legitimacy theory holds that legitimacy is a necessary input for an organization's survival (Cho, et al., 2012) and that communication strategies can be used as

a tool to “become identified with symbols, values and institutions which have a strong base of social legitimacy” (Dowling and Pfeffer, 1975, p. 127).

Within the organisational view “legitimacy [is] an operational resource [. . .] that organisations extract – often competitively – from their cultural environments and that they employ in pursuit of their goals” (Suchman, 1995, p. 575-6). Certain actions and events increase that legitimacy resource, and others decrease it. Low legitimacy will have particularly dire consequences for an organisation, which could ultimately lead to the forfeiture of the right (or licence) to operate (Tilling and Tilt, 2010, p. 58).

While much of the legitimacy theory literature focuses on legitimating strategies to a company as a whole, Hybels (1995, p. 243) argues that good models in legitimacy theory must examine the relevant stakeholders, and how “each influences the flow of resources crucial to the organisations’ establishment, growth, and survival, either through direct control or by the communication of good will”. The power, the legitimacy and the urgency of the stakeholders’ claims are key characteristics that should be considered by the companies (Agle, Mitchell and Sonnenfeld, 1999). Frooman (1999) (cited by Ioan and Sandu, 2009) insists that power *dominates* the other two factors. The consequence is that only the stakes of groups that are either useful to or able to harm a company economically will be recognized (Phillips, 2003, cited by Ioan and Sandu, 2010).

Gaining legitimacy, as well as restoring lost confidence, is accomplished mainly through disclosure. Any corrective actions that target sustainability performance cannot be made public and validated except by going through a reporting process, destined to improve the audiences’ perceptions. The legitimacy emphasizes the strategic potential of corporate disclosures, especially those included in annual reports (Dragomir, 2010). The annual report “uses the tools of management, marketing and communication theory to construct a picture of the organisation” (Stanton and Stanton, 2002, p. 478). This “picture is viewed by a wide audience and provide[s] organisations with an effective method of managing external impressions. Annual reports are a primary information source for investors, creditors, employees, environmental groups and the government” (Neu, Warsame and Pedwell, 1998, p. 269).

Tilling and Tilt (2010) highlight the importance of measuring the effects of different financial stakeholder groups on corporate social disclosures in contrast with attempts to examine resources provided by stakeholders as a measure of legitimacy. Information is necessary to change perceptions. Remedial action which is not publicized will not be effective in changing perceptions (Cormier and Gordon, 2001). This perspective, as provided by legitimacy theory, highlights the strategic importance of corporate disclosures, such as those made within annual reports and other publicly available documents (Dragomir and Anghel-Ilcu, 2011).

The pharmaceutical companies’ necessity to legitimate themselves is stringent, as the European citizens are increasingly attentive towards new developments in public health which can positively affect their well-being.

In order to apply the legitimacy theory to studying communication in the pharmaceutical companies, we employ the types of legitimacy described by Suchman (1995): pragmatic legitimacy, moral legitimacy, and cognitive legitimacy. The pragmatic legitimacy focuses on the most immediate audience, often in relationship with a resource-based dependency, while the moral legitimacy is oriented towards social welfare and is about ‘the right thing to do’. Therefore, the pragmatic legitimacy discourse is based on identifying the key audience

and their interest and agenda, while moral legitimacy is not centred on a particular audience. On the other hand, cognitive legitimacy is also oriented towards all types of audiences, and is focused on explaining the compliance with norms, rules and other models. Thus, legitimacy is gained under the pragmatic dimension through meeting the expectations of key stakeholders, under the moral dimension through responsibility towards society as a whole, and under the cognitive dimension through compliance with various models.

### 3. Research method

The transparency in CSR reporting in developing economies is crucial (Belal, Cooper and Roberts, 2013) and multinationals can contribute to a significant improvement in that area (Beddewela and Herzig, 2013). We focus our analysis on a multinational in the pharmaceutical industry with a subsidiary in Romania, active in the area of CSR reporting, in order to be able to compare the transfer of practices and to investigate if there are differences in the discourse in reporting the responsibility towards consumers in the global and local reports, as identified by Beddewela and Herzig (2013). While global ranks and the image of multinationals is built on global reports, Wensen, et al. (2011) suggest that companies that want to serve local stakeholders publish local reports also.

We chose GlaxoSmithKline (GSK) for the case study analysis for the following reasons. First of all, it is ranked as number one by Access to Medicine Index (2012, 2010, 2008) in terms of availability, affordability and accessibility for consumers and therefore has a very good reputation in terms of CSR practices. Second, GSK Romania issued in 2011 the first sustainability report in this industry in Romania ([www.gsk.ro](http://www.gsk.ro)) and therefore became a benchmark for other companies in this industry. Also, it provides an interesting case to study how multinationals export practices in various countries and how these are implemented in local contexts. Third, GSK realized 5% of the total sales on the pharmaceutical market in Romania in the last years, being in top 10 companies. The pharmaceutical industry in Romania is growing, despite the negative economic evolutions in the last years (Wall-Street, 2012; Business24, 2013). While there are an important number of firms in this industry, the market became more and more concentrated, a number of 20 companies controlling approximately 80% of the market (Business24, 2011). This is the result of mergers and acquisitions, both at national and international level. An analysis of the companies with the biggest sales in Romania (Capital, 2013) reveals that the first ten companies are multinationals (some of them including Romanian subsidiaries) and Romanian companies such as Antibiotice or Biofarm have smaller market shares. In this context, understanding the local practices of multinationals is very important.

The content analysis of artefacts representing means of corporate reporting (annual reports, websites, press releases) is performed in order to analyze how companies communicate towards consumers. The details of the documents analyzed in order to investigate how GSK and GSK Romania communicate on their responsibility towards consumers are the following (table 1):

**Table no. 1. Sources of information**

Types of documents	GSK	GSK Romania
Annual reports	Annual reports for 2012, 2011, 2010	Not publicly available
CSR reports	CSR reports for 2012, 2011, 2010	CSR 2011 (the only one available)
Websites	<a href="http://www.gsk.com">www.gsk.com</a>	<a href="http://www.gsk.ro">www.gsk.ro</a>

This methodology is widely employed in CSR studies (Cho, 2009; Tilling and Tilt, 2010; Dragomir and Anghel-Ilcu, 2011; Lungu, Caraiani and Dascălu, 2011 etc.) and it is appropriate for in-depth investigation of the phenomenon under research.

In order to investigate how firms in the pharmaceutical industry assure their legitimacy and communicate with consumers through corporate reporting, we firstly derive a list of CSR issues of major importance for consumers in this industry. Based on other studies (Oxfam, 2002; Consumers International, 2006; Access to Medicine Index, 2012; SASB, 2012) we select a number of aspects to be investigated: statements or discussions about the firm’s policy concerning consumers’ protection and communication, including access to medicine; discussions about disease awareness campaigns; ethical issues concerning gifts, appropriate use of promotional materials and free drug samples; advertising and transparency in marketing budgets; innovation, testing, and drugs effects. The content analysis is based on these key issues and concepts.

In analyzing disclosures, we adopt the distinction proposed by Joseph and Taplin (2011) between the disclosure abundance, meaning the extent of disclosure in texts (number of pages, lines, sentences, words etc.), and the disclosure occurrence (a number of items having disclosures, irrespective of the amount of disclosure). The results are interpreted by reference to the legitimacy types (Suchman, 1995) previously described. We are also interested in distinguishing in disclosures the level of comprehensiveness in the sense described by Bouten, et al. (2011): visions and goals, management approach and performance indicators. Hopwood (2009 cited in Bouten, et al., 2011) stated that many companies report more on aims and intentions than on actual actions and performance, which are more conclusive about their level of involvement in CSR activities and performance.

**4. Results analysis**

As previously stated, both the multinational (GSK global) and the Romanian subsidiary (GSK Romania) are engaged in CSR reporting, but to various extents in terms of the information available and transparency. While for GSK global both annual and CSR reports are available for the last years, for GSK Romania the annual reports are not publicly available, and there is only one CSR report (for 2011). Therefore, the references to the CSR information (including the consumers dimension) in this study are the following (table 2):

**Table no. 2. References to the CSR information**

<b>Types of documents</b>	<b>GSK global</b>	<b>GSK Romania</b>
Annual reports	Based on IFRS, audited by PWC	Not available
CSR reports	Reporting based on the SustainAbility Global Reporters benchmark (GSK CSR, 2010, p. 11) Not based on GRI or UNGC, but provide an index to show what they report (GSK CSR, 2010, p. 27) Environment and health and safety – data assured by SGS (GSK CSR, 2010, p. 27) Assurance in 2012 from Bureau Veritas	Reporting based on the GRI index (level B) with declaration of conformity from GRI (GSK Ro, 2011, p. 69)

The first issue in which we are interested is the abundance of disclosure, both in total and towards consumers. Given the features on the industry, three concepts are used, sometimes interchangeable, in the reports: consumer (who buy other products than drugs), customer and patients (who buy drugs). GSK presents customers as being mainly pharmacies and doctors, while patients and consumers are the end-users of their products. The results of the abundance of disclosure analysis are the following (table 3):

**Table no. 3. Abundance of disclosure analysis**

Documents	Number of pages	Appearance of customers/ consumer in the main content	Number of times the word customer/ consumer/ patient is used in the most visible places (titles, figures)	Number of times the word customer/ consumer/ patient s used in the text
CSR Report 2012	75	Yes	2/18/61 Total 81	6/20/103 Total 129
CSR Report 2011	103	Yes	9/18/67 Total 94	10/36/163 Total 209
CSR Report 2010	262	Yes	4/6/66 Total 76	24/26/330 Total 380
GSK Romania 2011	80	Yes	10/9/20 Total 39	17/5/62 Total 84

The annual reports were not included in this analysis for two reasons: first there are no available reports for Romania (and therefore a lack of comparability in the analysis) and secondly in the annual reports there are many financial accounting issues related to consumers which cannot be subsumed to CSR reporting. However, the table suggests that at least in the signals represented by the use of words, GSK global publishes reports more oriented towards customer/consumer (the words customer/consumer/patient are used with an average frequency 1.73 per page in GSK global reports and 1.05 per page in the Romanian report). While the number of pages of the GSK global report tends to decrease for year to year, the key issues are maintained (the words customer/consumer/patient are used with a frequency of 1.45 times per page in 2010 and 1.72 times per page in 2012; of which for the visible places the frequency increased from 0.29 in 2010 to 1.08 in 2012), which might suggest a more effective and condensed communication.

Besides the volume of disclosure, we are interested in the issues reported in relation with customers and consumers, and an occurrence analysis was performed using the key issues for the industry previously identified. We were not interested however in computing a disclosure index based on those issues, but more to identify the differences between the global and local reports in terms of the reported issues and to discuss the legitimating strategies.

The customer/consumer is very important for the GSK, this aspect being stressed out in both global and local reports (table 4).

In explaining the role of customer/consumer, GSK employs mainly moral legitimacy mechanisms, by presenting the 'right thing to do' in this industry – contributing to the quality of human life. GSK Romania adapted this aim to the local context, and explained this by exposing their understanding of the Romanian situation.

**Table no. 4. Emphasizing the importance of the customer/consumer**

Company	Examples of expressions
GSK Global	<p>“our mission is to improve the quality of human life by enabling people to do more, feel better and live longer” (CSR, 2012, p. 1).</p> <p>“Our values are transparency, respect for people, integrity and patient focus.” (CSR, 2012, p. 3).</p> <p>“Our commercial success depends on growing a diverse business, creating innovative new products people value, making them widely accessible and operating efficiently. By doing this, we will be able to grow our business and provide benefits to patients, consumers, our employees, our shareholders and society.” (CSR, 2012, p. 3).</p>
GSK Romania	<p>“In Romania, our objective is even more ambitious: to contribute to increasing Romanians’ life expectancy – the lowest in the European Union” (GSK Ro, 2011, p. 8)</p> <p>“We are focused on playing a leading role in supporting the transformation of the healthcare sector in Romania. We continue to do this by: focusing on our customers etc.” (GSK Ro, 2011, p. 8)</p>

Access to medicines is a key issue in the industry and in the information to be disclosed by companies (SASB, 2012). GSK is recognized as having good practices and many initiatives in this area (SASB, 2012, p. 3-4). GSK Global has a separate section in the CSR Report (entitled ‘Access to medicine’ in 2010 (app. 16% of the report) and ‘Health for all’ in 2011 and 2012 (app. 26% in 2011 and 29% in 2012)). In this area, besides aims and goals, specific actions and results are described, which makes the report more comprehensive:

*“Through these R&D efforts, we are addressing the prevention and treatment of all three of the World Health Organization’s (WHO) priority infectious diseases” (Annual Report 2010, p. 13)*

*“GSK Rare Diseases was created in 2010 to enable us to focus on this specialized area of drug discovery and development.” (Annual Report 2010, p. 30)*

These statements explain their actions, from goal (“treatment of all three of the World Health Organization’s (WHO) priority infectious diseases”) to actions (“these R&D efforts”; ‘GSK Rare Diseases was created in 2010’) and results (“focus on this specialized area of drug discovery and development”).

The same comprehensive approach is used by GSK Romania:

*Aim: “finding innovative ways to increase patient access to our medicines and healthcare products” (CSR Ro, 2011, p. 8).*

*Actions and results: “one of the most diversified pharma groups”... “partner with other pharma companies” “our portfolio of distributed products is the broadest of any pharma company in Romania” to “support access in the local market” (p. 9); “for certain patients suffering from life threatening diseases who are recommended GSK medicines which are not registered in Romania, we make significant efforts to obtain Ministry of Health approval and to have the products available free of charge” (p. 28).*

The content analysis reveals that GSK Romania report is more comprehensive in this area than the global ones, providing many examples from the local context. GSK global report tend to be focused more on goals, with actions and results mainly descriptive (such as

'deliver innovative new medicine') and therefore more in the moral legitimacy dimension, while GSK Romania provides examples of actions and results:

*Aim: "supporting access to healthcare" (CSR Ro, 2011, p. 26).*

*Actions: "the first route ... improving knowledge for healthcare professionals about the availability of medicines" (p. 26).*

*Results: "In 2011, GSK supported the launch of the first ever medical online free-of-charge e-learning programme for General Practitioners in Romania... The programme has been used by more than 3,000 doctors" (p. 27).*

In this manner, the Romanian report is more pragmatic and addresses the pragmatic legitimacy dimension, which is related to the immediate expectations of the audience.

An important action of GSK in relation to customers and consumers is the use of flexible pricing. For least developed countries "Our aim is to reduce prices to no more than 25% of their price in the UK" (CSR, 2010, p. 49), and they reference for stories on how they extended access to medicines another report called "World of GSK", while examples still may be found in the CSR Report (for example, the case of Synflorix in Uganda, CSR, 2010, p. 44). This practice increases the legitimacy of the company in the eyes of customers and consumers, but the financial advantage of this pricing strategy is also explained:

*"We are actively seeking new ways of delivering healthcare and making our products more available and affordable to people who need them wherever they live. We do this not only because society expects us to and it is the right thing to do, but also because it is good for our business (flexible pricing, special business unit that is responsible for increasing access, work with many agencies to distribute vaccines, significant medicine donation programmes)." (GSK AR, 2011, p. 5)*

In this manner, the moral legitimacy and pragmatic legitimacy are both used as mechanisms to balance the immediate needs of shareholders and customers/consumers.

Customer/consumer protection and communication, along with drug safety, disease awareness and education is another important area in which reporting is expected. In this area both global and local reports include specific aims, actions and results.

*"Our focus on the patient programme brings patients to GSK sites to speak directly to our R&D teams about their healthcare needs" (GSK CSR, 2011, p. 11)*

*"We hosted 11 patient insight seminars at our sites in 2011 under the theme of 'strengthening the patient voice at GSK'. These brought together more than 7200 people" (GSK CSR, 2011, p. 11)*

*"We continue to address the problem of counterfeit medicines. In China, we added serial numbers to 31 products, resulting in a significant reduction in the number of reports of counterfeit medicines. This 'track and trace' technology will help us implement similar initiatives elsewhere in the world." (GSK AR, 2012, 52)*

*"counterfeit medicines account for around 10-30% of products sold in Africa. GSK is piloting an innovative approach to protecting patients in Africa from counterfeit medicines using mobile phones" (GSK CSR, 2011, p. 19)*

The Romanian report offers specific examples from the local context, such as the oral health campaign:

*“[we] offer solutions to prevent discomfort and pain for overall improved well-being” (CSR Ro, 2011, p. 12)*

*“a significant element of medical education and support for a more patient-centric healthcare system in Romania” (p. 9)*

*“we create awareness for improved health practices” (p.12)*

*“Oral Health is a main focus area”; “we have started to work with Ministries of Health and Education to bring basic oral health education to the masses”; “we created a special educational campaign etc.” (p. 12)*

*“patients and consumers [...] are at the heart of all our thinking and we engage with them at many different levels, with the help of monitoring agencies, through market research [...] and significant patient advocacy support” (p.21)*

*“we supported the development of three educational programmes for specialist knowledge development and qualification, which started in 2011” (p. 27).*

By these comprehensive reporting, both local and global reports manifest a balance between moral and pragmatic legitimacy. There are differences in the dimensions of legitimacy employed in other areas of communication. For example, the GSK Global reports have a significant part dedicated to the compliance with rules and models, addressing the cognitive legitimacy. The reports refer to various monitoring and legislative frameworks (American, European etc.) and provide details on how the company complies with them. For example:

*“In 2010 the FDA announced four strategic priorities for the next five years [...] We will be engaged in these key areas of interest” (GSK AR, 2010, p. 20).*

Another area with differences in the communication approach is the research and development (R&D). A significant part of the GSK global reports are dedicated to R&D issues, and addresses various aspects, starting with financial resources to various actions, employees aspects, testing on humans and animals, and specific programs. For example:

*“Elements of this new [R&D] approach include: being more open with our intellectual property; being more open with our resources; and being more open with our data and compounds” (GSK AR, 2010, p. 27).*

These strategic aspects, related to the communication of goals, are complemented with examples of actions and results (such as: ‘we operate a drug discovery unit based in Spain, which focuses on malaria and tuberculosis’; ‘we created in 2010 an end-to-end scientific and technical platform’). On the other hand, in the Romanian report the R&D is less described, but the company is presented as being a leader in this area. They report: “we have innovative medicines and vaccines in 13 therapeutical areas” (GSK Ro, 2011, p. 7).

Another critical issue in the pharmaceutical industry is the marketing process. Because of its importance, GSK global insert a special section in the report on this issue (in GSK CSR 2010 the section has 4 pages). The emphasis is on ethics and the code of ethics:

*“However, we recognise that the marketing of pharmaceutical products raises some challenging issues. Some people are concerned that marketing by pharmaceutical*

*companies exerts undue influence on doctors, that sales representatives do not always give doctors full information about potential side effects, or that promotion of unapproved uses of medicines may be occurring. Our global marketing code forbids these practices and other unethical conduct. We provide regular training for sales teams and monitor compliance.” (GSK CSR, 2010, p. 117).*

The references in the Romanian report are less extensive:

*“Many issues ranging from the honesty of research practices to the ethics of marketing and sales practices [...] have challenged the industry” (GSK Ro, 2011, p. 11).*

However, there are issues in the Romanian market related to medicine marketing. For example, Chiribuca and Hanță (2013) underline the problematical aspects of advertisements in Romania, because despite a regulatory framework in the area, the communication strategies employed by companies do not ensure a clear positioning of medicaments in other category than that of consumer goods. This study suggests that there is a real risk in medicines promoted to the general public and being perceived as consumer goods. The GSK Romania fails in providing information in this area, even under the moral dimension of legitimacy.

### Conclusion

Our study investigates the communication with consumers in the pharmaceutical industry through a case study. We contribute to a better understanding of the CSR reporting in three areas. Firstly, we address the communication towards the consumer as a key stakeholder. Secondly, we place our study in the pharmaceutical industry, which has a significant impact on people's life. Thirdly, we discuss the context of a multinational and the manner in which CSR reporting works at global and local levels.

The case company is GSK, with highly recognized CSR reporting practices globally and with the first CSR report in the industry issued in Romania in 2011. We employ content analysis of the reports issued and investigate key concepts and issues related to consumers. We pay attention to both volume and quality of disclosure, and in term of content we analyze the comprehensiveness, in terms of balancing the communication of goals, actions and results. We analyze the results using the legitimacy theory, and especially the legitimacy dimensions proposed by Suchman (1995).

The analysis of the abundance of disclosures related to customers/consumers reveals a higher focus in the global reports than in the local one. The global reports also seem to focus on more issues considered important in the industry (consumer protection, medicine testing, manufacturing process, R&D, ethical codes etc.), and the communication seems to be very condensed and effective. Also, the report seems to balance the moral, cognitive and pragmatic dimensions of the legitimacy.

The Romanian report is well anchored in the Romanian reality and seems to fulfil the role ascribed in local reporting, meaning to serve the local stakeholders (Wensen, et al., 2011). In line with this, it provides many details on local initiatives and therefore is based more on the pragmatic dimension of legitimacy. These results contradict those of Mahadeo, Oogarah-Hanuman and Soobaroyen (2011) who found a higher importance for moral legitimacy in the disclosure of multinationals in emerging economies. GSK Romania gains legitimacy through this pragmatic approach by providing examples of specific actions and

results. However, it lacks behind in terms of moral legitimacy. Also, gains in legitimacy might be obtained in less covered areas such as R&D, medicine marketing, testing and free samples etc.

This comparative analysis suggests differences between the global and local report, which proves that the local report is not an imitation of the global one. Also, the analysis suggests that there are various types of communication strategies and areas employed by multinationals, in order to balance the expectations of various stakeholders. Future research might investigate the complex processes of CSR reporting in other industries and in relation to other key stakeholders.

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