Improving Stakeholder Linkages for Responsible Business: a *Discussion Paper* for the Pharmaceutical Sector

I. Introduction

1.1 The role of the private sector in promoting sustainable development has received considerable attention globally and in India for some quite time now. In India, the discourse has evolved over time from being largely critical of private sector's interaction with society to one that places the private sector at the pivot of the sustainable development agenda. In this discussion the role of the government and of regulatory institutions and instruments becomes crucial.

1.2 CUTS has been implementing a project, '*Exploring the interplay between business regulation and corporate conduct in India'* **(referred to as the BRCC project, www.cuts-ccier.org/brcc),** to promote a holistic understanding of responsible business among key stakeholders in two key sectors in India – pharmaceutical and private healthcare. The project also aims to explore possibilities for promoting responsible business in these two sectors and the role that key stakeholders and institutions could play in the process.

1.3 The findings confirm that promotion of responsible business practices in a sector depends not only on certain key *internal factors* pertaining to firms themselves, but also on a number of factors pertaining to *external environment* within which firms operate.

II. Stakeholder Interactions in Pharmaceutical sector

2.1 It has emerged from the research and discussions with key actors in the *Pharmaceutical sector* that Pharmaceutical firms are keen to improve the perception about their conduct in society, which is often not positive. While instances of pharmaceutical firm's unacceptable behaviour are often reported, 'good practices' adopted by them are not visible enough. Several factors, some of them often outside the control of the pharmaceutical firms seem to have played a role in developing such perception. CUTS realises the need for a platform to initiate a multi-stakeholder dialogue to examine opportunities for augmenting the sector's perception in and contribution towards society. Based on the experience gathered from the research and discussions with various key stakeholders in the Pharma sector (national and state levels), some opportunities seem to exist for improving the process of dialogue and interactions between key actors in the sector. Such interactions can play a significant role in facilitating a movement towards better business in the sector.

2.2 The following table enumerates some of these interactions, as encountered during the course of the BRCC project. Its purpose is to bring them together to the attention of senior industry leaders/association and policymakers/regulators, to help initiate a dialogue on how some of these interactions can be improved, in the interest of the sector and of society:

Stakeholders interactions	Goal of such interactions	Suggested improvements (in the interaction process)[1]
Government – Sectoral Association	Strengthening role and capacity of Sectoral Associations	
Sectoral Association – Firms	Making firms accountable to their Associations	
Firms – Firms (through Sectoral Association)	Sectoral association as facilitator and repository of 'good practices' by firms (experience sharing by firms)	
Sector Regulator – Firms	Sector regulators' ability to diagnose firm-level challenges and assist in improving compliance (*Doctor* Vs *Police*)	
Sectoral Regulator - CSOs	Engaging CSOs to complement functions of Sectoral Regulator (Good practices exist in states)	
Sectoral Regulator (central) – Sector Regulator (state)	Greater coordination between Sector Regulator (central level) with Sector Regulators (state level)	
Sectoral Regulator (A) – Sector Regulator (B)	Mechanism for cooperation between different Sector Regulators (state-level) for better orchestrated outcome	

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[1] Leaders of the industry, regulators and policymakers would suggest feasible improvements in the 'process of interaction' among the stakeholder groups, which would be listed in the respective blank cells. The ensuing discussions would prioritise these suggestions through a process of consensus-building.

Stakeholders interactions	Goal of such interactions	Suggested improvements (in the interaction process)[1]
Government – Firms	Easy access to and awareness about government policies; regular contact with relevant authorities	

2.3 The above approach complement the approach of *India Backbone Implementation Network* (**IBIN**)[2], an initiative of the Planning Commission to collaborative action which uses a systematic process of dialogue to move diverse stakeholders from a state of contention to collaboration. Such dialogue requires an open exploration of the many facets of the situation by conducting a 'systems analysis' with the participation of stakeholders having diverse views. Such an open and deliberative process requires a deep understanding of the situation at hand so that the right skills and techniques may be applied.

2.4 In such systems, rules and regulations define the boundaries of the game and set a level playing field for the actors. The behaviour of other actors needs to be managed through leadership, dialogue and peer influence, well-defined measurements based on outcomes rather than outputs and finally, focussing on interdependent gains and collaborative goal setting across the partners in the network.

2.5 Such a frank discussion among the stakeholders about the realities and challenges on different facets of regulation that has implications for business behaviour in the *Pharmaceutical sector* is expected to contribute in promotion of the understanding about elements of responsible business behaviour and stimulate thinking about ways in which sectors of the economy can adopt certain measures without affecting their bottom-line and emerge as pioneers of responsible business.

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[2] *'India Backbone Implementation Network' or 'IbIn' in short was conceived during the creation of the 12th Five Year Plan with the objective of promoting systemic capabilities that ensure coordination, collaboration, and implementation on issues, projects and policy within India.*