Chapter 6- Summary, Conclusions and Suggestions

The present piece of Research work is an evaluation of “A study on Business Ethics with Special Reference to ‘Marketing Practices of’ Selected Pharmaceutical Companies in India.” India has 3287590 sq. km. area, approx 1210 million people, 16 official languages and 35 states & union territories. India’s pharmaceutical industry currently comprises more than 20,000 licensed companies employing approx 500,000 staff. Unofficially more than 50,000 Pharmaceutical companies are in field. It is no wonder if maximum unethical practices are employed by the pharmaceutical industry to win over the support of doctors, channels of distribution and ultimately making more and more unjust profit.

This thesis aims at studying the marketing practices of Pharmaceutical Companies in India trying to describe the 4 Ps of Pharmaceuticals Marketing and how ethically it is been practiced. In this Research work an attempt has been done to introspect the Business Ethics Guidelines related to Pharmaceutical industry and the gap in the practice of the same in India. For the above purpose a tough job of collecting and analysing of both primary and secondary data has been done.

In this concluding chapter, it is attempted to explain the summary of findings of the Research work, based on primary and secondary data and observations. On the basis of available data and key findings conclusions have been drawn. After reviewing the study, some important suggestions have been given.
Summary:

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First Chapter has provided description to the research area of the study. An overview of background and purpose of the whole study is discussed here. This chapter includes, Rational for the study, Objectives, Justification, Significance, Hypotheses, Scope, Research Methodology and Limitations of the study.

“Hard work will lead to success”; this notion now-a-days carries less conviction because people in business, and society as a whole, have little patience with those, who even though they may work hard, are not successful. In the end it is success that matters. Men and women in the organizations no longer see success as necessarily connected to hard work. It can be described as that branch of philosophy, which is concerned with what, is good or bad, right or wrong. Ethics is the subject matter of daily life of doing things and living with various disciplines in life and based on the various principles of Morality, Welfare, Rights & Duty, Justice, Equality, Liberty and Virtue. Ethics, Economics and Law are such dependent on each other that sometimes it is difficult to decide that which is to be valued more. Ethics is not only about for what the thing is done but also how it is done and who has done it but also about ‘what ought to be’. Corporate Social Responsibility and Corporate Governance, Whistle Blowing etc. are some of the important issues.

“Business Ethics” as applied subject is a specialized study of right and wrong applied to business policies, institutions, and behaviors. Broadly “ethics in business” is simply the application of everyday moral or ethical norms to business. The purpose of business is to create and keep customer, therefore, there can be no effective corporate strategy that is not marketing oriented.
Marketing broadly conceive making decisions about what products or services to put on the market, who are the potential customers for these goods, how to reach the target markets and induce them to buy, how to price the product or service to make it attractive to these customers, and how to deliver the goods physically to the ultimate consumer and all these matters are often expressed as the four Ps of marketing: product, price, promotion and placement. Theory of ethical relativism in the field of marketing ethics has been introduced which argues that all of the parties involved in business and society interface and look upon their value systems as absolutes.

India's pharmaceutical industry is the third largest in the world in terms of volume and stands 14th in terms of value. Total turnover of India's pharmaceuticals industry is more than US$ 22 billion and currently comprises more than 20,000 licensed companies employing approx 500,000 staff. The leading 250 pharmaceutical companies control 70% of the market. India has more than120 US FDA-approved plants in addition to 84 UK MHRA-approved plants. Pharmaceutical Marketing Professionals on an average meet 200 doctors per month and to averagely 2 times per month to one doctor. PMPs view that almost 70% of the doctors they visit accept the samples of medicines of which only 30% medicines being tested before general prescriptions to patients. Maximum PMPs are not sure about the behaviour of Doctors and are of the opinion that only 45% doctors provide samples of medicines free of cost to patients. More Significant number of PMPs agrees that they and their company provide Cash/ Sponsorships/ Gifts and many more things to doctors for prescribing their companies’ medicines.
Chapter 2 contained the Theoretical Perspectives and overview of past studies which are related to Business Ethics, Introspection of Ethical Theories, Business Ethics, CSR, and Corporate Governance etc. This chapter also discusses the Literatures related to Business Ethics, Ethics in Marketing and, Pharmaceutical Marketing in India with special reference to Ethics.

The meaning of the term *ethics* can be given as "the principles of conduct governing an individual or a group." It is a kind of investigation—and includes both the activity of investigating as well as the results of that investigation—whereas morality is the subject matter that ethics investigates. Ethics is that discipline which examines moral standards of individual’s of any society and asks how moral standards apply to our lives and whether these standards are reasonable or unreasonable and whether they are supported by good reasons or bad ones.

The five characteristics which distinguish moral standards from non-moral standards are:

1. Moral standards deal with matters that can seriously injure or benefit human.

2. Moral standards are not established or changed by authoritative bodies. The validity of moral standards rests on the adequacy of the reasons that are taken to support and justify them; so long as these reasons are adequate, the standards remain valid.
3. Moral standards, we feel, should be preferred to other values, including self-interest. This does not mean, of course, that it is always wrong to act on self-interest; it only means that it is wrong to choose self-interest over morality.

4. Moral standards are based on impartial considerations.

5. Moral standards are associated with special emotions and a special vocabulary (guilt, shame, remorse, etc.).

Ethics is the common agreed upon practice of diverse moral principles or values. It concentrates on the specific moral choice an individual makes in relationship to others. This also represents the rules and/or standards governing the conduct of the member of a profession. The context of this inquiry will be ethics applied to business.

“Business Ethics is the study of business’ situations, activities, and decisions where issues of right and wrong are addressed.” In this context one might quite naturally question whether this is in any way distinct from the law. Surely the law is also about issues of right and wrong. It is believed by various people that the word ethical equates to lawful, and that by being lawful an organization, activity, or person is automatically ethical. This is not true. Many unethical things are entirely lawful although some can only be tested when/if they get to court.
The three basic types of issues related to Business Ethics are:

1. **Systemic issues**— Here questions rise about the economic, political, legal, or other social systems within which businesses operate. These include questions about the morality of capitalism or of the laws, regulations, industrial structures, and social practices within which American businesses operate.

2. **Corporate issues**— These talk about a particular company. These include questions about the morality of the activities, policies, practices, or organizational structure of an individual company taken as a whole.

3. **Individual issues**— It questions about a particular individual within an organization and their behaviors and decisions. These include questions about the morality of the decisions, actions, or character of an individual.

It is noted that some people object to the entire notion that ethical standards should be brought into business organizations. They make three general objections: *First*, they argue that the pursuit of profit in perfectly competitive free markets will, by itself, ensure that the members of a society are served in the most socially beneficial ways. *Second*, they claim that employees, as "loyal agents," are obligated to serve their employers single-mindedly, in whatever ways will advance the employer's self-interest. *Third*, they say that obeying the law is sufficient for businesses and that business ethics is, essentially, nothing more than obeying the law.

But none of the arguments for keeping ethics out of business seems forceful. In
contrast, there are fairly strong arguments for bringing ethics into business.

The main reasons behind our thinking that a strong understanding of business ethics is important nowadays may be given as:

1. The power and influence of business in society is greater than ever before and even increasing day by day. Evidences demonstrate that many members of the public are uneasy with such developments. Business has the great potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development, etc.

2. Business malpractices have the potential to impose enormous harm on individuals, on communities, and on the environment. The demands being placed by various stakeholders, on business to be ethical, are constantly becoming more complex and more challenging.

3. Ethical infractions continue to occur in business. Business ethics provides us with a way of looking at the reasons behind this, and the ways in which such problems might be dealt with, by managers, regulators, and others interested in improving business ethics. Business ethics can provide us with the ability to assess, the benefits and problems associated with different ways of managing ethics in organizations.

4. Business people worldwide acknowledged formal business ethics education or training which helps them to improve ethical decision-
making by providing the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.

The notion that companies looking beyond profits to their role in society is generally termed corporate social responsibility (CSR). It refers to a company concerning itself with ethical values, transparency, employee relations, compliance with legal requirements and overall respect for the communities in which they operate. CSR goes beyond the occasional community service action. There are four dimensions of social responsibility: economic, legal, ethical, and voluntary.

CSR as a concept in India is not new, the term may be. Though the process of CSR acclaimed recently, it has been followed since ancient times albeit informally. Hindus follow the principle of “Dhramada” and Sikhs the “Daashaant”. In India, in the pre independence era, the businesses which pioneered industrialisation along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. Post independence, Birla is famous for its Dharmashala.

Sound and efficient Corporate Governance (CG) practices are the basis for stimulating the performance of companies, maximizing their operational efficiency, achieving sustained productivity as well as ensuring protection of shareholders’ interests. Good CG is essential for the integrity of corporations, financial institutions and markets. Corporate Governance means doing the whole thing better to improve relations between companies, their owners and,
shareholders; to improve the quality of outside directors; to promote people to think of long term relations; information needs of all stakeholders are met and to ensure that executive management is properly monitored in the interest of stakeholders. Strong CG standards focusing on fairness, transparency, accountability and responsibility are vital not only for the healthy and vibrant corporate sector growth, as well as inclusive growth of the economy.

The major ethical problems that ethical business people want to eliminate are related to: (1) gifts, gratuities, bribes, and "call girls," (2) price discrimination and unfair pricing, (3) dishonest advertising, (4) miscellaneous unfair competitive practices, (5) cheating customers, unfair credit practices, and overselling, (6) price collusion by competitors, (7) dishonesty in making or keeping a contract, and (8) unfairness to employees and prejudice in hiring. It may be noted that five of the eight most important ethical problems have to do with marketing activities.

Since Indian Pharmaceutical Industry has free access to medicines discovered abroad, there is little incentive to undertake research to make new drugs. Consequently, nearly all companies are engaged in viscous competition to sell the same molecules under the different brand names. The countless commercial needs of fiercely competing pharmaceutical companies have led them to depend on the tried and tested 3Cs: *Convince if possible, Confuse if necessary, and Corrupt if nothing else works.*
Third Chapter described the “Pharmaceutical Industry in India”. The status of India Pharmaceutical market in comparison to other countries of world is given there. The history and growth pattern of India’s Pharmaceutical Industry has been discussed. It is tried to find out and describe the Marketing Mix (4Ps) of Pharmaceutical Marketing with special reference to its practices in India.

A commercial business whose focus is to research, develop, market (offer and promote) and/or distribute drugs; most commonly in the context of healthcare can be described as Pharmaceutical Company, or drug company and the respective industry as Pharmaceutical Industry. India’s pharmaceutical industry is among the most highly organized sectors. Due to the presence of low cost manufacturing facilities, educated and skilled manpower and cheap labor force among other countries, the Indian pharmaceutical industry is set to scale new heights in the fields of production, development, manufacturing and research. India is the third largest country in the world in terms of volume and stands 14th in terms of value and thus ranks very high, in terms of technology, quality and range of medicines manufactured. Pharmaceutical industry in India comprises more than 20,000 licensed companies and employing more than 500,000 staff. India is known for major generic pharmaceutical producer and exporter and has acquired the role of pharmacy for the developing world. Indian drugs and pharmaceuticals are sold at reasonable price and have been found to be safe, efficacious and of good quality.

Prescription Drugs and Non-Prescription Drugs are the major classification of drugs on the basis of prescriptions. Prescription drugs are those drugs which are not locally available without a prescription by any Doctor. It is a licensed
medicine which is obtained only by prescription. Non Prescription Drugs are medicines, which can be bought at a pharmacy without the prescription of a doctor, at the pharmacist’s advice. These are also known as Over-the-Counter medicines, which are legally allowed to be sold. India’s business is also rising in outsourcing in Pharmaceutical because of its expertise in chemistry and data management services which are backbone of pharmaceutical manufacturing through the value chain.

India is recognised lowest priced drug manufacturer and marketer of pharmaceuticals products domestically and internationally. The reason behind the lower cost of drugs in India is that the cost of production of medicines here is ranging from 5% to 50% less as compared to most other countries. Price of the Pharmaceutical products in India is set-up on the basis of following formula:

\[
MRP = \text{Ex-factory Cost} + 100\% \text{ MAPE on Ex-factory Cost} + \text{ED} + \text{VAT} + \text{Other tax (If any)}
\]

\[MRP = \text{Maximum Retail Price, MAPE = Maximum Allowable Post-manufacturing Expense (100%), ED = Excise Duty (16%) - With an abatement of 40% on MRP, VAT = Value Added Tax (4%).}\]

Pharmaceutical companies aggressively influence the doctors to prescribe their products that may be questioned in the patient's best interests. Research conducted in India as well as other countries shows that, though most of the doctors said that they were not influenced by these incentives, they admitted that their colleagues were influenced by such promotions. The aim of drug promotion is not helping the needful and saving the life but to persuade people to buy more drugs and/or to pay higher prices.
The different forms of promotions in pharmaceuticals marketing are: Brochures, Sponsored articles, Internet, T.V., Sponsored journals subscription or textbooks, Visits by medical representatives, Sponsored events with “key opinion leaders” in the field (Most of the time, these company sponsored guest speakers use presentation slides provided by the company for their talk), Gifts, Gimmicks and incentive schemes based on number of prescriptions, Product samples, Symposiaums, Exhibition booths, Registration fees, Tutoring sessions, Journal clubs, Free textbooks and journal subscriptions, Entertainment, Excursions, Traveling expenses, Meals, Family-related activities, Donations or support for facilities used in offices and home i.e. fax machine, computer, printer, furniture, water cooler, refrigerator, etc. and even CASH.

The downstream Supply Chain of pharmaceutical products is unique. Over the globe including India, medicines and healthcare facilities are generally distributed and sold by the non-user customers of the drugs and pharmaceutical products, reputedly known in society as Doctor. Pharmaceutical companies use the sales force of Pharmaceutical Marketing Professionals popularly known as Medical Representatives (sophisticated designed in hierarchy) for marketing products to doctors and to exert some influence over others in the hierarchy of decision makers (for procurement, buying, prescribing) has been a time-tested practice. Pharmaceuticals companies generally implement two models of distributions to market their products based on two greatly known Push (M-SRD-C) and Pull (M-D-P-R-S-C) strategies of Marketing for distribution and promotion.
Fourth Chapter deals with Research Methodology and presents sources of data, data collection tools, sampling design and data analysis tools.

Fifth Chapter dealt with findings of the primary and secondary data which were collected for the research work. This chapter shows the practical side of marketing of Pharmaceuticals in India and shows the differences in Ethics in theory and practice. In this chapter hypotheses of the study have been examined. Maximum PMPs are science graduate. Most of the representatives provide researched articles and literatures to doctors to update their knowledge medicines and its indicative suggestions. On an average Medical Representatives meet 200 doctors in a month almost 2 times per month. Pharmaceutical marketing Professionals (PMPs) absorb that almost 70% of the doctors they visit accept the samples of medicines of which only 30% medicines being tested before general prescriptions to patients. PMPs claim that only 45% doctors provide samples of medicines free of cost to patients. More than Quarter of population of the PMPs agrees that they provide Cash/ Sponsorships/ costly Gifts and many more things to doctors and even to their relatives, for prescribing their companies’ medicines. It is found that PMPs manipulate the information, expenses, company resources, time and samples etc. for achieving the target of the business and even sometimes just for personal benefits.

It is observed that pharmaceutical companies, if not all but many, are engaged in CSR related activities too and working especially in the field of Health Care, Education, Community Welfare and also for Environment. All listed and registered pharmaceutical companies in the market are governed by Corporate Governance Codes.
Conclusions:

- India’s Pharmaceutical Industry has got remarkable and extraordinary path of growth over the years, and as India’s pharmaceutical industry is among the most highly organized sectors, it seems it will also continue in coming years.
- India ranks 3rd and 14th respectively in terms of volume and value, and has got a high position in terms of technology, quality and ranges of medicines manufactured.
- There are about 20,000 registered pharmaceutical companies in India which employ approximately 500,000 working people.
- Apart from 84 UK MHRA-approved plants, India has more than 120 US FDA-approved plants and most have multiple approvals from regulatory authorities in Canada, Australia, Germany and South Africa. There are 10,563 pharmaceuticals manufacturing units in the country.
- In the developing countries India is playing the role of Pharmacy as she is famed for major generic pharmaceutical producer and exporter and Indian drugs and pharmaceuticals are sold at reasonable price and have been found to be safe, efficacious and of good quality.
- “Business Ethics is the study of business’ situations, activities, and decisions where issues of right and wrong are addressed.” Many unethical things are entirely lawful although some can only be tested when/if they get to court.
- There are three basic issues namely Systemic Issues, Corporate Issues and individual Issues are related to Business Ethics.
- The notion that companies looking beyond profits to their role in society is generally termed corporate social responsibility (CSR). In India CSR is
not new, though the process of CSR acclaimed recently, it has been followed since ancient times albeit informally.

- Sound and efficient Corporate Governance (CG) practices are the basis for stimulating the performance of companies, maximizing their operational efficiency, achieving sustained productivity as well as ensuring protection of shareholders’ interests.

- India is recognised lowest priced drug manufacturer and marketer of pharmaceuticals products domestically and internationally. The following formula describes the method for fixing the price of medicines in India.

\[ \text{MRP} = \text{Ex-factory Cost} + 100\% \text{ MAPE on Ex-factory Cost} + \text{ED} + \text{VAT} + \text{Other tax (If any)} \]

- The aim of drug promotion is not helping the needful and saving the life but to persuade people to buy more drugs and/or to pay higher prices, and for that purpose Indian Pharmaceutical Companies are aggressively influencing the doctors to prescribe their products that may be questioned in the patient's best interests.

- Two models of distributions, pharmaceuticals companies generally implement, to market their products based on two famously known Push (M-SRD-C) and Pull (M-D-P-R-S-C) strategies of Marketing for distribution and promotion.

- The countless commercial needs of fiercely competing pharmaceutical companies have led them to depend on the tried and tested 3Cs: Convince if possible, Confuse if necessary, and Corrupt if nothing else works.

- To promote the pharmaceutical products and medicines, companies maximum employ science graduates. If we talk in terms of percentages it
is approx 70%. New trends has been absorbed that Pharmaceutical companies also recruiting Management graduates.

- To upgrade and update the knowledge about latest development in Medical Science and Medicines, most of the medical representatives provide researched articles and literatures to doctors.
- Medical Representatives (PMPs) meet 200 doctors in a month almost do 2 visits per month per doctor.
- PMPs absorb that just about 70% of the doctors they visit accept the samples of medicines of which only 30% medicines being tested by doctors before general prescriptions to patients. They also claim that only 45% doctors provide samples of medicines free of cost to patients.
- One fourth of the PMPs provide Cash/ Sponsorships/ costly Gifts and many more things to doctors and even to their spouse and children, for prescribing their companies’ medicines.
- PMPs manipulate the information, expenses, company resources, time and samples etc. for achieving the target of the business and even sometimes just for personal benefits.
- It can be said that - All Pharmaceutical Companies in India are not Marketing Ethically.
- Pharmaceutical Companies in India are not following the Rights and Duties of Corporate Citizen.
- Many pharmaceutical companies are engaged in CSR related activities and working especially in the field of Health Care, Education, Community Welfare and also for Environment but if we see the overall CSR ratings of these companies are having ratings of either 2 or less than 2 out of maximum 5.
Almost all listed and registered Indian pharmaceutical companies have developed their Corporate Governance Codes and are governed by the same.

**Suggestions:**

After reviewing the whole research work, following suggestions are given:

1. As it is absorbed that India’s Pharmaceutical Industry has seen outstanding growth and positioned itself like a ‘Pharmacy’ in the developing countries; therefore it is suggested that by all means India should maintain and improve its image in, Generic Pharmaceutical Production and Export, Quality, Safety, Efficacy and, Rational Pricing.

2. Although there is huge number of pharmaceuticals manufacturing units (PMUs) in India having more than 200 international approvals, maximum units are situated in only 5 states namely, Maharashtra, Gujarat, West Bengal, Andhra Pradesh and Tamil Nadu; therefore it is recommended that if representative distribution of PMUs will done, it will create Job prospects in other states of India and help in all-round growth of the country.

3. Many unethical practices are either lawful or have not yet hauled under circumference of law. It is suggested to authorities of government that fresh study of the matter is needed and strong Laws should be made so that maximum unethical practices are minimised and good practices become the culture of the Pharmaceutical Industry.
4. It should be duty of the Pharmaceutical Companies to not promote the drugs and aggressively influence the doctors to just persuade people to buy more drugs and/or to pay higher prices but, the aim of the promotion should be for helping the needful and saving the life of the patients.

5. It is suggested that Pharmaceutical Marketing Professionals should not make much contacts with the Chemists (retailers of the supply chain of Pharmaceutical Products) and their reach should be limited to Doctors and Stockiest/Distributors only; because it is found that at Chemists’ level the malpractices related to samples of the medicines and in other forms exist mostly.

6. This is good that Pharmaceutical Companies employing mainly science graduate but it is recommended that especially marketing and sales professionals in this industry should have knowledge of basic Sociology and Ethics along with chemistry and biology. The combination of science graduate plus MBA with Ethics as a paper will be better for choosing recruits for the job.

7. Proper guidelines for working hours and days in field, number of doctors to meet daily and, maximum visit to one doctor in a month, etc., should be formulated by the State and Union governments and implemented forcefully.

8. It is suggested to Pharmaceutical Companies that they monitor and ensure the behaviours of the doctors related to the samples of the drugs so that they are not sold for price to patients but must be distributed free of cost.
9. The behaviours of PMPs related to their working habit and time utilization in the market should be monitored by their companies as it is common practice that for achieving the target of the business and even sometimes just for personal benefits, PMPs manipulate the information, expenses, company resources, time and samples etc..

10. Union government must make Laws and regulations more powerful which would carry heavy punishments also, related to Marketing Practices of Pharmaceuticals. The arrangement should be made that Pharmaceutical Companies in India should perform ethically and behave like a Corporate Citizen.

11. In the large country like India where all the societal development activities can not be done by the government only and seeks the help of business world. Therefore corporate sector should also be responsible for the development of basic amenities in society and for Sustainable Development of the whole country, it is need of the hour that Pharmaceutical Companies must perform CSR activities also. It is found that they are working mostly in the field of Health Care, Education and Community Welfare, but along with it the emphases would be given on Environment, Water and Rural Development also.