Chapter 1- Introduction

Topic: “A study on Business Ethics with Special Reference to ‘Marketing Practices of’ Selected Pharmaceutical Companies in India.”

1.1 Study Described:

It is often said that hard work will lead to success. This thought is central to our self-image as a people, where a chance is available to anyone with the ability, gumption and persistence. Indeed, this theory of reward being commensurate with effort has been an enduring belief and a moral imperative in our society.

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.

Ethics is philosophy in action. 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 which is governed by something is good or not 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. The subject matter includes the Corporate Social Responsibility and Corporate Governance as burning issues.¹
“Business Ethics is a specialized study of right and wrong applied to business policies, institutions, and behaviors.”² Because businesses are some of the most influential institutions within modern society, therefore business ethics is an important study area. Business organizations are the primary economic institutions through which people in modern societies carry on the tasks of producing and distributing goods and services. They provide the fundamental structures within which the members of society combine their scarce resources—land, labour, capital, and technology—into usable goods, and they provide the channels through which these goods are distributed in the form of consumer products, employee salaries, investors' return, and government taxes. Today large corporate organizations dominate our economies and societies.

Frameworks of ethics provide the platform for many modern concepts for business and enterprises, which extend the individual and corporate priorities far beyond conventional business aims of profit and shareholder enrichment. Ethical factors also significantly influence institutions and public sector enterprises, for which the conventional priorities of quality of service and cost management increasingly taking account of these same ethical considerations affecting the commercial and corporate world.³

Ethics constitutes the value and social system for individuals and organizations. It promotes an orderly corporate life and a disciplined society. Ethics and values are deep rooted in our traditional heritage of culture and beliefs. India’s old educational system brings strong background of ethical values and businesses, therefore looked after the interests of all the stakeholders. However, the contemporary business and society seems to be deviating from the ethical precepts in their lust for maximizing their personal gains. Corruptions, scandals,
black-marketing, hoarding, tax evasion, cutthroat competition have become rampant and are easily observed in the modern business societies. There is need to reshape the business culture to mould it towards as ethical base where ethics becomes the basis of all business activities. Study of ethics goes a long way in shaping the culture of the individual, firm, industry, nation and the world at the macro level.\textsuperscript{4}

In the broad sense “\textbf{ethics in business}” is simply the application of everyday moral or ethical norms to business. Our traditions and religions have comparable sacred or ancient texts that have guided people’s actions in all realms, including business, for centuries, and still do. Perhaps the example from the Bible that comes to mind most readily is the Ten Commandments, a guide that is still used by many today.

Marketing is an essential function in any business without which the surviving of business is critical. As the marketing theorist Theodore Levitt observes, “There can be no effective corporate strategy that is not marketing oriented, that does not in the end follow this unyielding prescription: The purpose of business is to create and keep customer.” However, Levitt should also add that businesses must also develop products and services that customers want and at prices they are willing to pay. Marketing broadly conceived includes, then, 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 is attractive to these customers, and how to deliver the goods physically to the ultimate consumers. These matters are often expressed as the four Ps of marketing; product, price, promotion and placement.
Robin (1980) introduces the theory of ethical relativism in the field of marketing ethics. He argues that all of the parties involved in business and society interface and look upon their value systems as absolutes. Business people in particular are acting in a way that they might consider ethical according to their own values. Society, on the other hand, has different values and views the same act as not so ethical. A solution to this problem is for business people to adapt the relativist's philosophy and recognize the right of others to have different value systems.

India is a country of immense proportions. Its 3287590 sq. km. area, approx 1210 million population, 16 official languages and 35 states & union territories (several of which are larger than many European countries) don’t lend themselves to conventional logistics. More than half a million qualified Doctors cater to the healthcare needs of our vast nation. Gigantic number of drugs are produced and consumed in India, which is the third largest producer of pharmaceuticals in the world. Indian Pharmaceutical Industry is poised for high consistent growth over the next few years, driven by a multitude of factors. Top Indian Companies like Ranbaxy, DRL, CIPLA and Dabur have already established their presence. The pharmaceutical industry is a knowledge driven industry and is heavily dependent on Research and Development for new products and growth. However, basic research (discovering new molecules) is a time consuming and expensive process and is thus, dominated by large global multinationals.

The Indian Pharmaceutical Industry today is in the front rank of India’s science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. It ranks very high in the third world, in terms
of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously. India's pharmaceutical industry is now the third largest in the world in terms of volume and stands 14th in terms of value. According to data published by the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceuticals industry between September 2008 and September 2009 was US$ 21.04 billion. Of this the domestic market was worth US$ 12.26 billion.\(^6\) India’s pharmaceutical industry currently comprises more than 20,000 licensed companies employing approx 500,000 staff.\(^7\) The leading 250 pharmaceutical companies control 70% of the market.

The Indian pharmaceutical industry came into existence in 1901, when Bengal Chemical & Pharmaceutical Company started its maiden operation in Calcutta. The next few decades saw the pharmaceutical industry moving through several phases, largely in accordance with government policies. Commencing with repackaging and preparation of formulations from imported bulk drugs, the Indian industry has moved on to become a net foreign exchange earner, and has been able to underline its presence in the global pharmaceutical arena as one of the top drug producers worldwide. A major expansion started in the early 1970s when the Indian government took two fateful decisions. Firstly, it decided to permit domestic manufacturers to produce generic versions of patented molecules without permission from overseas innovators—provided a different manufacturing process was employed. Secondly, small scale pharmaceutical units were eligible for huge fiscal incentives and state subsidies. The new policy led to an unprecedented growth of medicine makers.
India exports medicine worth more than US $ 9 billion annually. The Indian pharmaceuticals industry has grown from a mere Rs. 1,500 crores turnover to approximately Rs. 1,00,611 crores in 2009-10 (upto sept., 2009). The country now ranks 3rd in the terms of volume of production (10% of global share) and 14th largest by value. Indian pharmaceutical industry growth has been propelled by exports which have grown from Rs. 6,225 crores in 1998-99 to rs. 39,821 crores in 2008-09. The domestic pharma sector has been expanding and has crossed Rs. 55,000 crores in 2008-09 from Rs. 32,000 crores in 2003-04. Indian exports are destined to various countries around the globe including highly regulated market of USA, Europe, Japan and Australia. 

The global pharmaceuticals market is estimated at US$ 773 billion, of which the US accounts for 38%. This share is expected to decrease to 34% by 2013 when drug sales will reach US$ 987 billion. The global market for generic drugs was estimated to be worth US$ 84 billion in 2009, of which the US accounted for about 42%. India’s contribution is about US$ 19 billion, but India ranks 3rd worldwide with volume of production at 10% of global share and 14th largest by value (1.5%). One reason for lower value share is the lower cost of drugs in India ranging from 5% to 50% less as compared to most other countries.

In 2009, India had more than120 US FDA-approved plants in addition to 84 UK MHRA-approved plants. Most of these plants have multiple approvals from regulatory authorities in Canada, Australia, Germany and South Africa.

Representatives of Pharmaceutical Companies (Pharmaceutical Marketing Professionals) averagely meet 200 doctors in a month ranging from 50 - 300 doctors/month, and to one doctor they visit on an average 2 times per month. In the view of Pharmaceutical marketing Professionals (PMPs) almost 70% of the
doctors they visit accept the samples of medicines of which only 30% medicines being tested before general prescriptions to patients. According to PMPs only 45% doctors provide samples of medicines free of cost to patients. More than Quarter of the PMPs agree that they provide Cash/ Sponsorships/ Gifts and many more things to doctors for prescribing their companies’ medicines.

1.2 Rational for Study:

The commercial needs of countless, 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. It is easy to find fault with policies adopted decades ago, and the fault may lie in the regulatory system failing to keep pace with innovations in the pharmaceutical industry. Nevertheless, the government has failed in its duty of preventing unethical promotion that has already resulted in misery, illness, and death.

If Ethics and Marketing’s Ps combined, it produces various issues which are the subject matter of Marketing Ethics or Ethical Marketing. We here are taking some snaps of these matters and relating specially with the Pharmaceutical Companies in India and their marketing practices as, how they are marketing ethically?, are they following the rights and duty of corporate citizens?, are they fulfilling CSR and guided by Corporate Governance? Etc.
**1.3 Objectives of the Study:**

The objectives of the study are as follows:

1. To study and examine theoretical concepts of Business Ethics.

2. To study and examine Business Ethics practices in Pharmaceutical Companies in India.

3. To find out the Gap between theoretical concepts of Business Ethics and actual practices of Business Ethics in Marketing of Pharmaceutical Products in India.

4. To study Corporate Governance Codes and Corporate Social Responsibility Practices of Pharmaceutical Companies in India.

5. To suggest healthy, fair and Ethical Business practices in Pharmaceutical Companies in India.

**1.4 Justification of Study:**

India is one of the biggest markets for pharmaceutical companies in world. She is ranked 3rd on various basis by international research firms. If ethics and marketing Ps are combined, it will produce various issues, which are subject matter of ethical marketing. Research conducted in India as well as other countries found that, though most of the doctors said that they were not influenced by incentives given by pharmaceutical companies they admitted that their colleagues were influenced by such promotions. Many countries like the
US, Australia, and some European countries, have put in place regulations that ban doctors from accepting gifts and other favours from pharmaceutical companies.\textsuperscript{10}

Several Indian authors have discussed the impact of industry practices on physician practice behaviors.\textsuperscript{11,12,13,14,15,16} The articles have emphasized the need for the industry, doctors and medical institutions to adopt ethical practices in the interactions with each other. The Indian pharmaceutical industry associations-Indian Drug Manufacturers' Association (IDMA) and Organization of Pharmaceutical Producers of India (OPPI) - have their own codes of Pharmaceutical Marketing Practices, which focus on ethical promotion of medicines to healthcare professionals.\textsuperscript{17,18}

Evidence indicates that doctors rely heavily on drug companies for their drug information. The ayurvedic, homeopathic, unani and other doctors practicing in indigenous or traditional systems of medicine have no access to independent information on drugs they prescribe and for them education in clinical pharmacology is the unchallenged province of ill-trained detailers. It is no wonder if maximum unethical practices are employed by the pharmaceutical industry to win over the support of these doctors. Introduction of a pharmaceutical product to a person not trained or educated in pharmacology is in itself, an unethical practice.\textsuperscript{19}

Unethical, uncontrolled pharmaceutical promotion is obviously one of the many problems in health care in the Third World. It is not a trivial problem as the pharmaceutical industry tries to suggest. When physicians rely on information provided by drug companies, they tend to prescribe expensive branded products.
It thus becomes the moral responsibility of the drug manufacturer to give nothing but the correct information. Is this responsibility being ethically discharged? 

In 1992, during a raid on the premises of one scrap dealer Barkat Ali, rejected materials and labels in bulk, both coded and uncoded, of Glaxo India Limited were recovered. Further investigations followed and the revelations shocked medical and pharmaceutical circles in the country. The scrap dealer confessed to selling rejected medicines to an enterprising Gujarati businessman operating from a cubby hole in Ahmedabad. On February 14, 1994, the Mumbai High Court upheld the closure orders of Glaxo India Limited given to it by the state FDA. The company opined "we feel we were being singled out although there were other pharmaceutical companies which were found to be violating the rules". Glaxo was referring to violation of rules done by Boots and German Remedies Limited. These are all multinational drug companies. It was only Mr. Arun Bhatia, an upright officer of the FDA, who insisted on the act being implemented. He paid the price. He took over as FDA commissioner on March 23, 1993, and was made to hand over the charge on October 21, 1993. That established the nexus between politicians and the drug manufacturers so beautifully explained by Justice B. Lentin in the Lentin Commission Report. Is use of political clout ethical?

Between January 21 and February 7, 1986, 14 patients died in J.J. Hospitals in Mumbai from a cause totally unrelated to the diseases that brought them there. They died of poisoning by the adulterated glycerol given to them. The toxic adulterant was diethyl glycol which was present in a concentration of 18.5% - over three times the lethal dose. Rapid necrosis of the kidneys took place and
the unfortunate victims succumbed to acute renal failure. This adulterated glycerol, meant for industrial consumption, was sold by Kailash Company to Alpana Pharma, with the former knowing that it was to be used for medicinal purpose. This was not a mistake, nor an act of carelessness. It was an extremely conscious act motivated by greed for more profits. What about ethics? The licensing authority, the drug testing laboratory, the tender committee, the pharmacology department and the highest authorities in J.J. Hospitals, and the Health minister were indicted. What has been the track record of action taken against the guilty? The non-implementation of the judgments makes statutes like the Drugs & Cosmetics Act a farce. Loopholes continue to be used against the people by vested interests. Can a voluntary code of ethics put an end to such acts of omission and commission?22

In management programme Business/ Managerial Ethics is one of the compulsory papers. Research conducted on Business Ethics and Marketing practices are limited, specially with regard to pharmaceutical industry, therefore it is intended to carry out a research on “A study on Business Ethics with Special Reference to ‘Marketing Practices of’ Selected Pharmaceutical Companies in India.”

1.5 Significance of the Study:

In recent years, pharmaceutical companies throughout the Country and even world have been targeted by critics for their marketing practices, particularly, with regard to their transactions with the doctors. India is one of the biggest markets for pharmaceutical products marketing and supposed to be heaven for the Pharmaceutical Companies as there are least cost production facilities
available in comparison to other parts of the world, and is not an exception for the claimed unethical conducts doing by the Pharmaceutical Companies. It is therefore momentous to do the study on the above mentioned research area and topic of significance.

1.6 Hypotheses:

In this study following hypotheses were developed which were tested:

1. Are Pharmaceutical Companies in India Marketing Ethically?

2. Are Pharmaceutical Companies in India following the Rights and Duties of Corporate Citizen?

3. Are Pharmaceutical Companies in India Fulfilling their Corporate Social Responsibility?

4. Are Pharmaceutical Companies in India are guided by Corporate Governance Codes?

1.7 Scope of the Study:

1. The study would be applied to overall Pharmaceutical Industry in India.

2. The study may be used as Reference for further studies on Pharmaceutical Industry in India.
3. Further same type of study may be done for other industries and this study may give some guidelines about it.

**1.8 Research Methodology**

This Study is related to Pharmaceutical Industry and Business Ethics. In this thesis it is tried to introspect the Marketing practices of Pharmaceutical Companies, which are supposed to be Ethical.

So far the methodology of this Research work is concerned, it is mixed one. Considering the Objectives of the Study as well as Hypothesis to be tested, the different scientific tools of Research were used. This chapter throws the light on methodology used to study and investigate the information collected for gaining of new and upgraded knowledge and better appreciation for the issues related to subject matter. The Sources of Primary and Secondary Data & Information related to the subject area, Data Collection Tools, Sampling Technique, Data Analysis Tools are some important subtopics which are dealt below. It is also tried to show here the problems and limitations faced by the Researcher.

**1.8.1 Sources of Data and Data Collection Tools:**

For Data collection both Primary as well as Secondary sources of data were used.
1. Primary Source:

The first hand primary data for the study was collected from the customarily chosen sample of Pharmaceutical Marketing Professionals (PMPs), popularly known as Medical Representatives or Pharmaceutical Sales Executives of various hierarchy and different experience in years. Primary Data are collected in the form of well Structured Questionnaire and Schedule. The Schedule was presented to PMPs in person as well and Questionnaire sent by electronic mail (e-mail) to some Respondents. It is also necessary to inform here that close observations of Respondents also gave some input and encouraged to prevent from pretended information.

2. Secondary Source:

For collecting information related to the subject matter and study area of present research the published materials of various government and non-government sources were used. This information was used for both data analysis if needed as well and to develop the core texts of the research, which are described in various chapters of this thesis. Number of published Articles of reputed authors of the country and international, Research Magazines, Journals, Electronic-Journals and Edited Books were used to enquire the related information. Books of international and national reputed Authors, Booklets and Publications of Government Agencies had helped to make research work more significant and informative. Various specified internet sites of lots of Pharmaceutical Companies and research oriented sites of different stakes related to Pharmaceutical Industry helped to collect already researched and published data. Some data and information were not available
free of cost and therefore, purchased. Some most important sources of secondary data used are given below:

- Organisation Of Pharmaceutical Producers of India; Peninsula Corporate Park, Peninsula Chambers, Ground Floor, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013, INDIA. Website: www.indiaoppi.com
- Department of Health; Ministry of Health and Family Welfare; Government of India; http://mohfw.nic.in
- The Drugs and Cosmetics Act and Rules; Central Drugs Standard Control Organization (CDSCO); http://cdsco.nic.in/html/Drugs&CosmeticAct.pdf
- Ministry of Chemicals and Fertilisers; http://chemicals.nic.in
- National Pharmaceutical Pricing Authority (NPPA); http://nppaindia.nic.in/index1.html
- Corporate Governance Voluntary Guidelines 2009; Ministry of Corporate Affairs; Government of India
- India Brand Equity Foundation (IBEF); www.ibef.org
- The Pharmaceutical Research and Manufacturers of America (PhRMA), www.pharma.org
- Karmayog Corporate Social Responsibility; www.karmayog.org
- Corporate Social Responsibility –Towards a Sustainable Future: A White Paper; KPMG in India; ASSOCHAM
- Business Ethics; A Manual for Managing a Responsible Business Enterprise in Emerging Market Economies; A publication of the Good Governance Program; U.S. Department of Commerce, International Trade Administration, WASHINGTON, D.C.
- INDIAN JOURNAL OF MEDICAL ETHICS; http://www.ijme.in
- http://pharmexec.findpharma.com
- http://www.pharmacoethics.com
- http://www.pharmabiz.com
1.8.2 Sampling Techniques:

1. Population:

All major Pharmaceutical Companies running their business in India constitutes the Population for the Study.

2. Sampling Design and Sample:

Due to time and budgetary constraints, it was decided to study the working of these Pharmaceutical Companies through their Marketing/ Sales Representatives popularly known as Pharmaceutical Marketing Professionals (PMPs). For the purpose mentioned above we considered a random sample of 150 PMPs almost working for more than 50 different Pharmaceutical Companies operating in India.
1.8.3 Data Analysis Tools:

To present the findings simple and easy to understand, the data collected are presented in tabular form. Suitable diagrammatic presentation of the distribution of PMPs on the basis of their responses has been done. The different charts like Column, Bar, Line, Pie, XY Scatter, Doughnut, Cylinder, Cones, and Tubes were used to fit accordingly. Frequency and Percentage analysis along with Range were the general analysis tools which were used in the study.

1.9 Limitations of the Study:

It is agreeable that sample used for the study does not represent the whole population. Therefore analysis of about 50 Pharmaceutical Companies and only 150 PMPs can’t represent the standpoint of overall Pharmaceutical industry and the professionals engaged in marketing of Pharmaceutical Products. It was observed that some PMPs hesitated to answer some of the questions asked in Schedule and were not co-operative, although after pleasantly requesting they did, it can’t be said that they answered without any biasness. Budgetary constraint didn’t allowed to visit the different places for collection of the data and time spent on it, as no financial ad was provided from any institutional body. This Study is primarily for Pharmaceutical Industry only, therefore the findings of this study are applicable for only Pharmaceutical Industry.
1.10 Chapter Headings of the Study:

The thesis has been divided into following chapters.

Chapter-1, “Introduction”; This Chapter describes the research topic and area of the study. In this chapter Rational for the study, Objectives, Justification, Significance, Hypotheses, Scope and Limitations of the study have been cited. This chapter also includes Research Methodology which describes the sources of data, data collection tools, Population, Sample & Sampling Design and Data analysis tools for the study.

Chapter-2 “Theoretical Perspectives”; This Chapter presents the theoretical perspectives of the study. It gives the overview of studies done previously related to ethics in connection with business, Introspection of Ethical Theories, Business Ethics, CSR, and Corporate Governance etc. In this chapter, Literatures related to Business Ethics, Ethics in Marketing and Pharmaceutical Marketing in India with special reference to Ethics have been reviewed and summarised.

Chapter-3 is the description of “Pharmaceutical Industry in India”. The status of Pharmaceutical Industry of India in comparison to other parts of world, its history and growth pattern has been discussed. It is tried to find out and describe, 4Ps (Marketing Mix) of Pharmaceutical Marketing and its practices in India.

Chapter-4, “Research Methodology”; This Chapter deals with Research Methodology. This Chapter presents sources of data, data collection tools, sampling design and data analysis tools.
Chapter-5, “Data Analysis and Interpretations”; This Chapter reports the findings of the primary and secondary data which are presented in tabular and pictorial form after scientific analysis. This chapter gives the real picture of Pharmaceutical Marketing in India which is practically being practised and shows the differences in Ethics in theory and practice. The hypotheses of the study have been examined here.

Chapter-6 “Summary, Conclusions and Suggestions”, which summarises the key findings of the entire research. In this chapter the summary of the study has been explained. On the basis of available data and findings, conclusions have been drawn. After reviewing the study some important suggestions have been given; which if adopted may result in good for society and help India to develop ethical patterns and the role of Pharmaceutical Industry will be boon for India.

References:
3. op. cit. Chandra.
7. India’s Pharmaceutical Industry On Course for Globalisation; Deutsche Bank Report; 9th April 2008
8. Annual Report 2009-10, Department of Pharmaceuticals, Ministry of Chemicals & Pharmaceuticals, Government of India
9. ibid.
20. ibid.
21. ibid.
22. ibid.