

**A SURVEY OF SOCIAL RESPONSIVENESS OF PHARMACEUTICAL
FIRMS TO THE HIV/AIDS PANDEMIC: A CASE OF SELECTED FIRMS
IN NAIROBI.**

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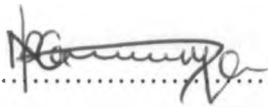
By

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This management project is my original work and has not been presented for a degree in any other University.



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This management project has been submitted for examination with my approval as University Supervisor



2/11/01

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DEDICATION

To all those who don't believe in miracles.....

There can be miracles when you believe.

AND

To my family members and loved ones.

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ABBREVIATIONS AND TERMS

SR

Social responsibility/ Social responsiveness:

The businessmen's decision and actions taken for reason at least partially beyond the firm's direct economic or technical interest. Social responsiveness is a popularized replacement for social responsibility in modern literature.

HIV

Human Immuno -deficiency Syndrome Virus.

The virus that is responsible for causing AIDS in humans.

AIDS.

Acquired Immuno-deficiency Syndrome.

The disease caused by HIV infection.

ARVs

Anti- retrovirals.

The drugs that are manufactured by pharmaceutical firms and can be given to people who are HIV-positive or have AIDS to prolong their lives

ABSTRACT

The concept of social responsiveness has gathered momentum and is becoming an increasingly potential force in both developed and third world economies for all those businesses that seek growth, survival and good reputation. Fundamental changes are taking place in people's attitudes and greater emphasis is being placed on human values, individual worth and the qualitative aspects of life in the society.

In the Kenyan economy like in other countries there has been public demands that ARVs and other medications used in managing opportunistic infections associated with a weakened immunity, should be made affordable to the general population. Increasingly, the pharmaceutical firms have come under criticism relating to the pricing of essential medications.

This survey was conducted on 49 pharmaceutical firms based in Nairobi. It sought to answer four questions in relation to the pharmaceutical's industry's input in the Kenyan society as far as the HIV/AIDS pandemic is concerned. First it sought to determine the current initiatives that the Nairobi firms are undertaking in helping society cope with the HIV/AIDS crisis. Secondly it sought to determine the attitudes of managers towards the arguments for and against the business social responsiveness with respect to HIV/AIDS. Third it sought to determine the factors that favor firms involvement in assisting society deal with HIV/AIDS and fourth it attempted to ascertain the obstacles that impede the firms involvement and implementation of the programs.

The population of interest included all pharmaceutical firms in Nairobi. The information sought in the study was collected using a structured questionnaire and personal interviews. Twenty managers from the various firms completed the questionnaires and four key players in the industry were interviewed.

The study revealed that the firms preferred to target healthcare professions and to a lesser extent charitable organizations as opposed to direct contact with general members of society or the sick people. The initiatives most commonly used were holding continuing medical education meetings with healthcare professionals, setting special pricing to the medications frequently used by immunocompromised patients and sponsoring healthcare professionals education.

Positive company image as well as company policy and availability of funds were the biggest contributing factors while resource constraints, lack of policies as well as

over-reliance on headquarters directives (in the case of multinational firms and importing distributors) were felt to be the strongest obstacles the firm managers encountered.

The survey also brought out the fact that the multinational pharmaceutical firms in Nairobi were the most involved in assisting society cope with the HIV/AIDS epidemic as compared to the local firms and importing distributors. It was however clear that in a vast majority of the firms studied, economic considerations still dominate management thinking.

CHAPTER ONE

1.0 INTRODUCTION

Background

Traditionally, the primary objective of any business corporation has been to make profits and to serve the interest of its owners (shareholders). However, as a result of rapid environmental changes especially after World War II, the society has become more restless about its quality of life. Business corporations have, therefore, in recent years come under increasing pressure to redefine their role in the society. Corporate managers are being called upon to direct attention and resources to social problems far removed from their economic mission.

The concept of social responsibility of business has been a subject of intense debate for more than three decades. A review of the literature pertaining to this concept reveals two opposing views; the traditional or classical view and the modern managerial view.

Proponents of the traditional class are of the view that “ The business of business is business” (Reavis, C. 1974-1975. pp 40-42). This means that businesses have the major objective of producing maximum profit for their owners (shareholders). The traditional group is therefore opposed to any calls for extra business obligations that might dilute this objective.

However, the proponents of the modern class have argued for corporate social responsiveness. They are of the view that business should assume certain

responsibilities that may be less economically attractive but socially desirable.

Steiner notes:

“Business is and must remain fundamentally an economic institution, but it does have responsibilities to help society achieve its basic goals and does, therefore have social responsibilities. The larger a company becomes, the greater are these responsibilities but all companies can assume some share of them at no cost and often as a short-run as well as long-run profit” (Steiner G. 1974, pp 84).

The claim by the managerial class that a positive relationship could exist between social performance and economic performance (short-run and long run profitability) of corporations has attracted the attention of scholars over the years (Ulman, A.1985). In the United States of America, several studies have established relationships between social responsibility and other determinants of organizational effectiveness. For instance, there have been many studies investigating the relationship between social responsibility and quantitative measures of profitability (Kraft, K. L, 1991). The results of these studies have been mixed.

The review of the literature on the concept of business social responsibility reveals that unlike in the developed economies such as the U.S.A., where several studies have been carried out on various aspects of the concept (Kraft, K.L. 1991.) There have been relatively few empirical investigations of the concept in Kenya (Kweyu, M. 1993).

Apart from showing interest in the relationship between corporate social performance and corporate effectiveness, scholars in the U. S. A. have studied other respects of the concept that include; it's ideological foundations, its purpose,

its management and the development of valid measures and standards of external disclosures (Ulmann, A.A. 1985). Such studies have led to the term social responsiveness being popularized as a replacement for social responsibility in modern literature. Murphy indicates that “ social responsiveness is a more positive and accurate term than social responsibility (obligation) to society and are now reacting to these demands in diverse ways” (Murphy, P. 1978, pp19-25).

Facts About HIV/AIDS

AIDS stands for “acquired immunodeficiency syndrome” - a syndrome being a cluster of medical conditions. It is caused by the human immunodeficiency virus (HIV), which weakens the body’s immune system.

HIV spreads through unprotected sex (intercourse without a condom), transfusions of unscreened blood, contaminated needles (most frequently for injecting drug use), and from an infected woman to her child during pregnancy, childbirth or breastfeeding.

HIV is a slow-acting virus. The majority of infected individuals look healthy and feel well for many years after infection; they may not even suspect they harbour the virus, though they can transmit it to others. Conservative estimates are that 90% of all H.I.V.-infected people worldwide do not know that they have the virus (UNAIDS Report June 1999).

Once they have an established HIV infection, individuals are infected for life and will probably succumb to serious opportunistic infections caused by the weakening of their immune system.

Treatment with antiretroviral drugs (ARVs) can slow the progression of HIV infection.

Globally nearly 34 million people are living with HIV/AIDS. The epidemic continues to grow as 16000 people worldwide become newly infected with HIV each day. While the epidemic has spread nearly everywhere, the speed of its spread and its extent varies between countries and within countries. More than 90% of all adult HIV infections are situated in developing countries: two thirds, or 14 million, in sub-Saharan Africa, 5.2 million in Asia and 1.3 million in Latin America. (Fransen, L. 1998, pp 1-6). Clearly nowhere in the world has the impact of HIV/Aids been more severe than in sub-Saharan Africa.

Impacts of HIV/AIDS

Koffi Annan Secretary-General of the United Nations recently declared: **“AIDS is far more than a medical problem. AIDS is far more than a national problem. AIDS is far from over.”** Koffi A. Annan, UNAIDS Report, 2000).

The threat posed by the rampant spread of HIV/AIDS in many parts of the globe presents unprecedented challenges to the people already affected by the disease and the communities in which they live. At present the plight of the sick and dying- and those left behind- seems often to be witnessed and borne largely by families and neighbors. Life expectancy, the best overall measure of development, is now declining in a host of African countries, a reversal of the rapid progress in the years following independence. AIDS has an unprecedented impact on development because it kills so many adults in the prime of their lives; it decimates the workforce, fractures and impoverishes families, orphans millions

and sheds the fabric of communities. It forces countries to make heartbreaking choices between today's lives and future lives, between health spending and the dozens of other vital investments for developments.

Social and Economic Impacts of AIDS

About 75% of reported AIDS cases in Kenya occur among adults between ages 20 – 45(Otieno, T. 1998 pp 5). The premature death of half the adult population, typically at ages when they have started to have their own families and have become economically productive can be expected to have a radical impact on virtually every aspect of social and economic life. AIDS impacts on households have been reported (Report on the Global HIV/AIDS epidemic. June 2000; Mutemi and Saoke, 1998. Impacts on teaching and learning (UNICEF Report 2000 as well as the stress of the health sector and it's impacts on agriculture as well as businesses have also been documented (UNICEF Report 2000; Ryder 1980; Melbye 1986).

Social Responsiveness of the industry with respect to HIV/AIDS

As Koffi Annan, was recently quoted:

“The pharmaceutical industry is playing a crucial role. However, the solution does not lie with the pharmaceutical companies alone. I am calling for a major mobilization of political will and significant additional funding to enable a dramatic leap forward in prevention, education, care and treatment.” Koffi A. UN Secretary General (“Facing The Challenge” 2000. GlaxoSmithKline in-house magazine.)

At the end of 1997, UNAIDS estimated that 30 million people were living with HIV/AIDS. The vast majority lives in developed countries and cannot afford the Anti-retroviral therapy that in many cases could greatly prolong their lives. Recently the pharmaceutical industry has come under scathing attack and criticism over the cost of antiretroviral (ARVs), the drugs that can prolong the life of a HIV/AIDS patient. Discussions have raised the issue of the firms targeting potential recipients of ARVs. In countries where ARVs are only available from the private sector, it is thought that a decision is implicitly being made to have these drugs available to the wealthiest members of that society. Katherine Floyd and Charles Gilks paper (July 2000) concludes that at the time of their study, ARVs were neither affordable nor cost-effective in most developing countries. It has also been argued that the provision of ARV's in the developed countries and the denial of these drugs in developing countries was itself inequitable.

In May 2001, five pharmaceutical companies, namely Glaxo Wellcome, Bristol-Meyers Squibb, Merck & CO., Inc., Boehringer Ingelheim and F. Hoffmann-La Roche- began a dialogue among themselves. They indicated their willingness to work with other stakeholders to find ways to broaden access to care and treatment, while ensuring rational, affordable, safe and effective use of drugs for HIV/AIDS related illness (UNAIDS Press Release, 2000).

Vaccine research in the field of HIV/AIDS is currently being done through intense international collaboration and coordination of some of the firms with

other bodies such as, UNAIDS, International Vaccines Advisory Body, International AIDS Vaccine Initiative and other stakeholders.

The spectrum of social responsiveness in the industry is quite wide. Positive Action, a global initiative of Wellcome was started in 1992, its aim being to act as a pathfinder for the community, showing innovative ways of meeting the challenges caused by HIV/AIDS through education, care and community support. (Revell, A. 1995 pp363-365). Provision of free medical services to workers and the community thereby ensuring a better quality life for society is seen within the industry. Direct support to charitable and needy health institutions as well as availability of good quality products with consistent supplies is commonplace. These firms ensure that they are honestly represented in the market place ensuring that prescribers, dispensers as well as users of medication are well aware of side effects and contraindication of medicines. Firms in the international market are dedicated to supporting medical research and promoting continuous medical education to those in the medical fraternity. It has not yet been established if these practices are part and parcel of Kenyan based pharmaceutical firms.

Statement of The Problem

A few companies have responded to the public health and corporate challenge of HIV/AIDS with vigor, but alas all too few (UNAID report 2000). According to the business social responsibility concept, managers of business corporations should incorporate societal considerations in decision-making.

“Former U.S. Representative, Ron Dellums, at The Global Health Council’s 26th Annual Conference exhorted the participants by asking them to view the pandemic crisis of AIDS in Africa as the moral equivalent of a war being raged on millions of human lives:” We must mobilize a new peace movement to end this war.” He called for an “AIDS Marshall Plan” to provide the medical, pharmaceutical, economic, infrastructural, educational and other assistance needed to deal with the crisis. Dellums said that the pandemic “should challenge us to act beyond ourselves” (June 2001).

The implication of the above statement is that pharmaceutical firms need to play an increasing social responsive role in the fight against HIV/AIDS. There have been issues raised about the pricing of these ARVs especially in developing countries (Floyd, K and Richard Gilks 2000). The public has taken a stand against the research-based firms as was witnessed through public demonstrations in South African during the Durban HIV/AIDS conference in July 1999. In Kenya the Industrial Property Act was passed allowing other firms to import cheaper generic versions of the patented ARVs in an effort to make the drugs more affordable to the sick people. The sensitivity of this crucial industry’s policy maker’s HIV/AIDS pandemic may determine their role in assisting society combating it. This may be seen through current initiatives that local firms have undertaken as opposed to that of being compelled by the international community to do.

Kenyan, state leader, President Moi, in a recent address to the Pharmaceutical Society of Kenya (PSK) during a month awareness campaign on drugs use said that he had asked the international community to help to provide cheaper ARV's that could sustain the life of those infected with AIDS.

While reports on the activities of some of these firms in the fight against HIV/AIDS exist in some countries, the researcher is not aware of any studies done in Kenya to ascertain the firms' social responsiveness to the HIV/AIDS scourge. The research question that this study addresses is to what extent are the pharmaceutical firms in Kenya playing a socially responsible role with respect to the HIV/AIDS issues?

Objectives of the Study

1. To investigate the current social responsive initiatives that pharmaceutical firms in Nairobi have undertaken in view of the HIV/AIDS pandemic.
2. To determine the attitudes of the managers of these firms have on arguments for and against business social responsibility to the HIV/AIDS pandemic
3. To determine the factors that favour social responsiveness of the firms and the obstacles that these firms encounter in the implementation of socially responsive activities towards the HIV/AIDS pandemic.

Importance of the Study

The HIV/AIDS scourge is not confined to a few, but touches all sectors of the nation, the study will hopefully awaken people to the reality of HIV/AIDS his study is expected to be of benefit to various groups

1. To the business community, it will hopefully contribute to increasing their awareness of the importance of concern for social welfare.
2. The study will be of significance to advocates of the business social responsibility concept such as the government.
3. To the academicians, the study will be important as an addition to knowledge. It is hoped that it will stimulate other aspects of business and HIV/AIDS.
4. To the society, the study will hopefully shed light on their understanding of business dealings with society.

CHAPTER TWO

2.0 LITERATURE REVIEW

Definition of Business Social Responsiveness

The issue of social responsibility of business has been a subject of intense debate and interest. Part of the controversy stems from the different definitions of the term, social responsibility. The precise limits or boundaries of this concept are still undefined. For the purpose of showing the diversity of definitions a number of outstanding definitions are provided.

According to Davis Keith, "Social responsibility refers to businessmen's decisions and actions taken for reason at least partially beyond the firm's direct economic or technical interests" (Davis K.1960 pp70-76). It is implied in this definition that businessmen are charged with the duty of correctly evaluating the impact of their decisions on the society. Management is required, according to Davis's definition to have a wider perspective and to extend their vision beyond the traditional business interest of maximizing shareholders wealth.

Bowen has also defined business social responsibility as "obligations to pursue those lines of action which are desirable in terms of objectives and values of society" (Bowen, H. 1953 pp 4). According to Bowen, the freedom of choice that businessmen possess should be guided by the objectives and values of society. It therefore implies, businessmen should voluntarily be sensitive to social costs of economic activities, and to the opportunities that allow corporations to

focus their resources on objectives that may be economically less attractive, but socially desirable.

According to Reidenbach, R.E. and Robin, D.P. (1987), the basis of understanding the meaning of corporate social responsibility comes from an observation by Steiner that:

“At any one time in any society there is a set of generally accepted relationships, obligations and duties between the major institutions and the people. Philosophers and political theorists have called this set of common understandings, the social contract” (Steiner G.1975 pp 18).

According to Steiner, the social responsibility of business is a substantial part of this contract. It is the set of generally accepted relationships, obligations and duties that relate to the corporate impact on the welfare of society.

The concept of business social responsibility assumes that there exists a theory about the social role of business organization in the modern society. Such a theory would not only explain the interest of the public but would advocate for the monitoring and the influencing of the behaviour of firms in accordance with the value judgement upon which the theory may be said to be founded. The interest of the community in the behaviour of firms is expressed both at the national level and the local level. At the national level, the interest is expressed by the concern of the government in various aspects of the business activities such as economic well being, their contribution to welfare, their part in the growth of the economy, etc. At the local level, the interest is expressed by local authorities

and bodies in both direct and indirect social-economic impact of the activities of the organizations.

The law as an institution, to an extent has the objective of embodying and expressing those value judgements by which the behaviour of firm is to be regulated. For example, in Kenya those value judgements are embodied and expressed in Acts of Parliament, which include the Employment of Women, Young Persons and Children's Act (Cap 227), The Workmen's Compensation Act (Cap 236), Intellectual Properties Act. However, the concept of business social responsibility extends beyond notions embodied in the current law. It has represented and still represents debate that has its root in political and social theory.

The spectrum of social responsibilities of business is quiet wide. It encompasses among others the following activities.

1. Economic growth and production efficiency.
2. Full employment and economic stability.
3. Education, employment and training of poor classes.
4. Civil rights and equal opportunities to all people.
5. Urban renewal and development.
6. Medical services to workers and the community.
7. Transport facilities to workers and the public.
8. Environmental protection through pollution abatement and ecological conservation.

9. Direct financial or personal support to cultural, charitable or artistic institutions.
10. Disclosure of social issues in the firm's financial statements (i.e. social balance sheet).
11. Production of goods and services that are honestly represented in the market place.
12. Assisting the government in doing all those functions, which will ensure improvements in the standard of living.

These activities can be broken down into two broad categories. First, the philanthropic activities, that is, the activities that are purely voluntary. Secondly, the activities where businesses are induced by market conditions, government incentives or public pressure. Proponents of the concept of business social responsibility advocate for increased business involvement in philanthropic activities such as provision of direct financial or personal support to charitable institutions. Non-philanthropic activities such as production efficiency and maximization of profit (economic growth of the firm) are increasingly being perceived as either direct or indirect business costs or not as social responsibility activities. They reflect the traditional objectives of the firm.

In the final analysis, social responsibility signifies a situation where business decisions are taken with adequate considerations for all the needs of the participants in the environment, but specifically the socio-economic demands. It attempts to balance the interests of all concerned parties, which are differently

affected by the business operation. In other words, social responsibility involves all that is done beyond the minimum legal requirements.

Evolution of the Concept

The Classical Economic Theory.

The classical economists insist that the primary purpose of the business is to make profit for the owners and other motives besides this are secondary or incidental to it. While business struggles to achieve economic advancements, the government is expected to balance up various interests, which are unsatisfied by private enterprises.

As a staunch supporter of the doctrine of laissez-faire, Adam Smith (1776) considered any social benefits accruing to production as unintended by products of men's search for private gains. Laissez-faire assumes: -

- (i) The businessman has no formal social obligations to the public.
- (ii) He serves society best when he tends to his own affairs without giving much thought to social problems.
- (ii) There is an "invisible hand" regulation business dealing in the market.

These assumptions form the basis for a free market system advocated by the classical economists. Given the competitive environment in a free market system, the entrepreneur is supposed to choose courses of actions, which will cause maximization of profit without reference to reactions of the society. Classical economists saw competitive struggle as a necessary control device, which regulated the behaviour of participants in the market.

Currently, due to inefficiencies or abuses of power, the assumed competitive market dynamism does not guarantee protections to every participant and hence the desire of specific regulations to ensure satisfaction of all participants in the business environment. It is necessary for businesses to attempt to achieve a dynamic equilibrium with environmental demands so as to achieve stability necessary for survival and growth.

The Legal Position.

Businesses by law are artificial persons that have rights to exist, own property, sue or be used under their names and depending on their constitution they enjoy privileges.

As artificial persons, businesses transact through the agency of natural persons. Initially the owner (shareholders) appoints and delegate powers of management to the first controller (usually the board of directors) who subsequently sub delegates to other business officers.

Under common law, corporate managers as trustees had to manage the resources for the benefit of the owners and had no authority to dissipate the trust property. Some legal presidents reaffirmed the view that business exists to provide profits and equitable redistribution thereof to the shareholder. In the case of *Hutton versus Westcork Railway Co.* (1888) it was stated “charity has no business to sit at the board of directors table”

However, in the *A.P. Smith Manufacturing Firm Company versus Barlow* (May 1953) Case, it was stated that the corporation was justified in disbursing

stockholders wealth for educational purposes. This action was regarded as being in the interest of the public. This philosophy recognizes the fact that what is good for business and society is good for the shareholders. As trustees, business managers have obligations to several claimants and besides ownership interests; there are other vested interests to consider. Management has a unilateral duty to balance and maximize all the interests of beneficiaries.

The Doctrine of “Enlightened Self-Interest”

This doctrine requires business to undertake philanthropic activities besides investing in attractive programs in a way that will benefit the social environment or quality of life.

Business is an integral part of society from which it gets its inputs and gives its output. Inevitably, for survival, business depends on the goodwill of society, which legitimizes its existence. To avoid the counter-veiling powers of the disgruntled society; it is in the “enlightened self-interest” of the business to promote a climate conducive for both business and public co-existence.

The Committee for Economic Development has stated that it is “not a right but a duty of business” to support society in the interest of long-run benefits. “Corporations self-interest is best served by a sensitivity to social concern and a willingness within competitive limits to take needed actions ahead of any confrontation” (1971 pp 27).

Ownership versus Control

In modern corporations, the manager-owner relationship has changed. Economic power is in the hands of management while ownership is spread out among numerous shareholders. The owners expect high return on their capital while management perceives its duty as that of operating the business profitably to ensure survival and growth.

The shareholders are incapable of effecting direct control on the business affairs except by exercising their voting rights during general meetings. They, therefore, become passive recipients who own only claims to corporate property in ways that yield sufficient returns on capital and maximum business values.

Davis States:

“Partly because of increased size of business and partly because of increased strength of social groups, relationships between managers and owners have changed during the last century ... Stockholders in widely held corporations, for the most part, perceive themselves as passive investors rather than co-owners of a business. Under these conditions, traditional control and decision making by owners breaks down” (Keith D. 1975

Pp 116)

The active organ, which is management, appears to have little accountability to the owners. However, latitude in decision-making and business control does not free management from the trustee duties. Under the above circumstances, the question that arises is, to whom is management answerable?

Since society legitimizes business powers, which the owners have lost, to management it can be rightly concluded that management is answerable to the

society. Business executives have the powers and society demands that those powers be used appropriately for the benefit of all. To justify the powers vested in its hands, management has to accept the concept of social responsibility and to recognize society as a significant variable for purposes of economic success.

In light of changing conditions and society expectations and despite the remoteness of some of the benefits, it is in the business interest as artificial citizens to recognize both economic and social obligations.

Arguments against Business Social Responsibility.

This section represents the views of the followers of Adam Smith who vehemently opposed contributions made by business to the society.

Proponents of business social responsibility such as Steiner and Davis (1975) suggest that managers are committed to various social responsibilities and would use their discretionary powers accordingly. However, classical economists, on the basis of self-interest assumption, predict that most managers would use their discretionary power to further their own interests.

The opponents of social responsibility insist that the sole business objective is to make profits. They argue that profits are the property of the owners of business and not management. Management is just charged with a “stewardship” responsibility and is accountable to shareholders as far as that responsibility is concerned. As stewards they have no mandate to dish out trust property. Friedman has emphasized that;

“... There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of

the game, which is to say, engage in open and free competition, without deception or fraud... few trends could so thoroughly undermine the very foundations of our free society as the acceptance of our corporate officials of a social responsibility other than to make as much money for the stockholder as possible. This is a fundamental subversive doctrine. If business do have a social responsibility other than making profits for shareholders, how are they to know what it is?" (Friedman, F. 1963 pp 133).

Levitt T. talks of the "frightening spectacle of a powerful business group that in the name of social responsibility imposes its narrow ideas about a broad spectrum of unrelated non-economic subjects on the mass of man and society" (Levitt, T. 1968 pp 74 - 85). The implication here is that businesses already have power (economic) and should not be permitted to stray into unrelated areas to interfere with peoples' private lives in the name of social responsibility.

A review of the literature on the concept of business social responsibility reveals the following as some of the commonly recited arguments against business social involvement:

1. The resources deployed for social responsibility projects reduce the earning ability of the firm, lowering its dividends and the price of the firm's stock. This denies the shareholders the rightful use of their money.
2. Economically, social responsibility is not viable where a firm engages in social projects while its competitors do not. The firm as a competitor would be disadvantaged due to increase in its cost and prices. This may render the products of a particular firm less competitive both in the domestic market and the international market causing an imbalance in trade.

3. The cost incurred by the firm in discharging its social responsibility is likely to be met by the customer through a price increase. In effect, the burden will be shifted to the consumer and the consumer will subsequently lose the opportunity to spend more on other goods.

4. Opponents of this concept believe that managers of business enterprises do not have the appropriate knowledge, skills or expertise to tackle social problems. Those trained in this sphere are government officials, politicians, voluntary organization, specialists, etc.

5. They further their argument by stating that currently business enterprises have too much power in their hands. Undertaking social responsibility would only concentrate more political and social power in the hands of those who currently have economic power.

6. Based on their belief that enterprises are only accountable to their owners, followers of Adam Smith argue that giving social responsibilities not commensurate to accountability and yet their primary objectives for existence is earning profit.

It has already been seen that there is a fear that acceptance of an expanding social role by business will inevitably produce unfortunate results for the business and society. Hence it is argued that, the business of business is business, and that social responsibility is a departure from the profit ideology. Profit consideration is basic to the arguments against business social responsibility.

Arguments in Favour of Business Social Responsibility.

The concept of business social responsibility implies obligations on the part of business to make decisions or pursue policies, which are socially desirable in terms of the objective function.

Steiner and Davis (1975) contend that the doctrine of corporate social responsibility has evolved from a changing managerial philosophy, which explicitly recognizes the obligations of the corporation to society and eschews the narrow goal of simply increasing profits or earnings. The ability of managers to employ the resources of their firms in socially responsible activities is alleged to result from the separation of ownership and control in large corporations. Steiner argues:

“By virtue of the diffusion of stock ownership management, (of large corporations) in effect control the property they do not own It is, true of course, that in thousands of corporations where there is little diffusion of stock ownership the older model of corporate authority still exists, but in more and more of the largest corporations, the new model is more realistic. Power exists without mandate” (Steiner, G. 1953 pp116)

In the above argument the older refers to the traditional managerial objective of maximizing profits for shareholders, so frequently associated with classical economists. The new model refers to socially responsive managers.

In general the proponents of social responsibility advocate for businesses to adopt policies, products, services, facilities, plans, schedules, to meet continuously, voluntarily, the social, civic and economic responsibilities commensurate with the opportunities afforded by the size, success and nature of the business and of public confidence in it as a corporate enterprise.

The proponents of business social responsibility have argued that;

1. An enterprise owes its existence to the society. Its legitimacy depends on its acceptance by the public. Thus businesses have to meet the demands of the community to survive. Refusal would earn the business the wrath of the society and clients.
2. Social involvement benefits both the enterprise and the society. The expenses incurred by an enterprise are translated into gains in the long run. The corporate image improves and the society appreciates the enterprises existence and supports it.
3. Enterprises need to engage in social responsibility activities to minimize government intervention. Enterprises have been known to sacrifice the welfare of society for their own benefit, thus the government has always intervened or imposed regulations that govern the activities of businesses.
4. Business today has assumed a lot of power in influencing the life of individuals. They control our eating habits, working, dressing habits, etc. It is but only fair that they be given responsibilities commensurate to their power.
5. Many other institutions and individuals have failed to solve social problems and so business firms should be given a chance. Since businesses have such a substantial share of society's management and financial resources, they should be expected to solve social problems.
6. It is in the interest of stockholders that their firms engage in socially responsible behaviour. As society norms change, businessmen's behaviour has to change correspondingly. Businessmen have utility function in which they desire

more than simple economic satisfaction. All in all businesses cannot afford to ignore the broader public demands. They must not only provide quantities of goods and services, but also contribute to the quality of life. Survival depends on the responses to the changing expectations of the public.

Impediments to the Implementation of Social Responsibility Policies in Organizations.

The Reward - Penalty System

In organizations, individual performance, group performance or an organizational center performance is usually measured in terms of economic results such as profit - levels and return on investment (ROI). Economic results serve as important controls in the evaluation process because they are easily quantifiable.

To managers, the concept of business social responsibility implies reduction of profit through philanthropies. In small and centralized business firms, the managers who initiate social responsibility programs, depending on their leadership qualities, may be able to push through various programs. However, in large or heavily decentralized organizations, where managers of various centers are appraised and rewarded depending on quantitative results, implementation of social programs may be hampered.

The structural implication has grave implications for the concept of business social responsibility, for there will be concern for tangible aspects at the expense of the intangible aspects of the business strategies. Management will

continue to be more sensitive to what quantitative measures mean to them so long as punishments and rewards are distributed according to economic accomplishments. Subordinates will aspire for top positions and will be sensitive to what quantitative measures mean to them.

The Role of Business

Businesses are economic institutions established by business entrepreneurs but sustained by society. They are expected to satisfy the society by offering goods and services. The traditional business objective has been economic and in response to accusations of non-involvement in social responsibility, businessmen have been pointing at the way they have indulged in social affairs by promoting economic growth.

In developing economies particularly, there is need for more business involvement in society's affairs. Business usually possesses abundant financial and managerial resource necessary for solving many of the pressing social problems. Community welfare can be promoted fast, if only business can redefine their role in society and begin to perceive social responsibility more and more in terms of social issues rather than economic issues.

The Roles of Management.

The concept of social responsibility advocates that in decision-making; business managers should consider economic, technical, social political, personal and moral issues. Apart from systematic regulation of business machinery so as to

cater for both internal and external demands, management must administer and protect trust property. In its mediation role, business management requires balanced judgment. Business myopia or wrong strategies may be due to management's failure to relate business activities to its environment or failure to gear them for socio-economic performance.

Planning and Operation of Social Responsiveness

It is paramount for any enterprise to assess its strengths and weakness before it selects the approach in which it chooses to respond to the social ethic. Assessment of its own resources and the industry requirement would be an indicator of the ability of any enterprise in fulfilling its social responsiveness if it chooses to do so. Enterprises have a dynamic relationship with their environment such that policies have to be formulated, evaluated and changed as required to achieve a dynamic equilibrium. It follows that management needs to evaluate the opportunities it can exploit in its discharge of social responsibilities and the threats it may face in respect to other forces.

Approaches Open to Enterprises

There are three main approaches from which an enterprise may choose in response to social ethics:

Adaptive Approach

In this approach an enterprise observes a “low profile” strategy in participating in social responsibility. It does not undertake an active role in social issues but responds only to legal requirement. Minimum compliance required by the law is the order of the firm. This strategy is normally adopted when the enterprise has no control over the demanding factor. However, critics may argue that this approach does not conclusively relate to social responsiveness since the firm is just complying with the law and is not socially responsive by its own initiatives.

Proactive Approach

The enterprise is the entity, which initiates the activity. It analyses its environments to identify opportunities, which it can exploit for its own benefit. Within this approach, the society sees the enterprise undertaking social responsiveness but in the long run it is the enterprise that benefits and not the society. This approach is viewed as the “selfish approach”.

Interactive Approach.

The enterprise interacts with its environment as much as possible in undertaking social responsiveness for the purpose of benefiting both itself as well as society. Such an approach calls for an inherent understanding of society and the factors that influence the activities of the society. It would be viewed as a “bargaining response” where the enterprise negotiates with the group demanding social responsiveness.

Stages through the Social Responsibility Response

Token Behaviour Stage

At this stage management makes a few gestures to indicate concern or a more liberal position. This includes making speeches, giving out money from headquarters as donations etc. Although this stage proves to be the least expensive and very adaptive, it is quite inefficient and ineffective.

Attitude Change Stage

In this stage management goes beyond a few gestures and appoints a staff executive responsible to the chairman in charge of social responsibility activities. Management attitude is more inclined towards pro-social activities. Expenditure incurred is relatively less and management provides support expertise. However, this stage can give rise to organizational expansion and potential for conflict within management due to differing attitudes.

Substantive Change State

Management embarks on structural and behavioural changes to implement social responsiveness. This includes setting up task forces, committees, special departments, executive to handle social issues, etc. Commitment of management towards social issues is brought about in this stage. Labour is more specialized and there is more meaningful representation within the labour force. Management however experiences high expenditures and increasing conflict within decision-making.

AIDS and its Social and Economic Impacts

HIV/AIDS is acknowledged as a global health crisis. AIDS (short for acquired immune deficiency syndrome) is caused by the Human Immunodeficiency Virus (HIV). The virus weakens the body's immune system and making it difficult to fight infection. AIDS induces opportunistic diseases such as herpes, tuberculosis and pneumonia. Once the virus enters the body it stays forever and the damage is permanent. Anybody who has HIV/AIDS is a carrier and can infect others. Very often people do not know they are carriers because they look and feel healthy. The chances of transmitting the virus to others are therefore very high. It may take up to between 8 – 10 years before a HIV positive person develops AIDS. Globally there are over 34 million people living with HIV/AIDS. The epidemic continues to grow as 16000 people worldwide become newly infected with AIDS each day (see appendix one). Nowhere has the impact of HIV/AIDS been more severely felt than in sub- Saharan Africa where HIV is deadlier than war itself. In 1998, 200,000 Africans died in wars but more than 2,000,000 died of AIDS (UN Report. Waking Up to Devastation. June 2000).

Since the early 1990s it has been clear that HIV would help undermine development in countries badly affected by the virus. Warning about falling life expectancy, increasing number of orphans, extra costs for business and the destruction of family and community structures are not new. The social and economic consequences of AIDS are felt widely in the health, education, industry, agriculture, transport, human resources and the economy in general.

The magnitude of the pandemic makes it imperative that all sectors of the society i.e. the public, the private, government and local communities be actively involved in managing the crisis to prevent a future that may become far worse. HIV/AIDS received prominence in Kenya in 1984 when it became prevalent.

It falls on the medical profession and in particular on the scientific community, to provide the factual information and the interpretation of both facts and reasonable assessment of future scenarios and needs. Life expectancy the best overall measure of development is now declining in a host of African countries, a reversal of the rapid progress in the years following independence.

3.0.1 HIV/AIDS Impacts on Households

HIV/AIDS hit households suffer a dramatic decrease in income (UN Global Report on the HIV/AIDS Epidemic, June 2000). Decreased income inevitably means fewer purchases and diminished savings. Before AIDS, about 2% of all children in developing countries were orphans. By 1997, the proportion of children with one or both parents dead had skyrocketed to 7% and even 11% in some cases (UNICEF and UNAIDS Report. 1999).

When family members in urban areas fall ill, they often return to their villages to be cared for by their families, thus adding to the call on scarce resources and increasing the probability that a spouse or others in the rural community will be infected. Families make great sacrifices to provide treatment, relief and comfort for a sick breadwinner. In a Thai study, the families spent an average of US\$ 100

during the last year of an AIDS patient's life- the equivalent of an average annual income (UNAIDS Report, June 2000).

A common strategy in AIDS-affected homesteads is to send one or more children away to extended family members to ensure that they are fed and well cared for. Such extended families structures have been able to absorb some of the stress of increasing number of orphans, particularly in Africa. However urbanization and migration for labour, often across borders, are destroying those structures. As the numbers of orphans grow and the number of potential careers shrinks, traditional coping mechanisms are stretched to breaking point, Households headed by orphans are becoming common in high prevalence countries. Studies in Uganda have shown that following the death of one or both parents, the chance of orphans going to school is halved and those who do go to school spend less time there than they did formerly. Other work from Uganda has suggested that orphans face an increased risk of stunting and nourishment (UNAIDS Report June 2000).

There is consensus that helps for orphans should be targeted at supporting families and improving their capacity to cope rather than setting up institutions for the children. Moreover, in a subsistence economy, children sent away from their village may lose their rights to their parent's land and other property as well as their sense of belonging to a family. (See appendix two)

HIV/AIDS Toll on Teaching

Without education a country's development will be stunted. In areas where HIV infection is common, HIV –related illness is taking its toll on education in a number of ways:

It is eroding the supply of teachers and thus increasing class sizes, which is likely to dent the quality of education.

1. It is eating into family budgets, reducing the money available for school fees and increasing the pressure on children to drop out of school and marry or enter the workforce.
2. It is adding to the pool of children who are growing up without the support of their parents, which may affect their ability to stay in school.

A recent survey on the impact of HIV on the educational sector in the Central African Republic, where about one in every seven adults is estimated to be infected with HIV showed that as many teachers died as retired between 1996 and 1998. Of those who died some 85% were HIV positive and they died an average of 10 years before reaching the minimum retirement age of 52 years (UN Report, 2000 pp29). In the first 10 months of 1998, Zambia lost 1300 teachers- the equivalent of around two thirds of all new teachers trained annually. Newspaper reports in Kenya indicate that about 500 teachers are lost annually due to HIV/AIDS related illnesses and that every hour there are thirty deaths, eighteen of whom are teachers. Higher institutes of learning have not been spared either, in

the local Universities in Kenya it is estimated that two lecturers die every month as a result of HIV/AIDS related illnesses.

AIDS may aggravate the existing disparity in educational access between town and countryside. Rural postings are already unpopular among many teachers in Kenya, and it is suggested that need to be close to a source of healthcare may act as an extra disincentive to teachers who go to rural areas.

HIV/AIDS Toll on Learning

A few studies can point to AIDS in the family as a direct cause of school dropout. In a study in Zimbabwe, where most farm workers deaths are attributed to AIDS, 48% of the orphans of primary-school age who were interviewed had dropped out of school, usually at the time of their parent's illness or death, and not one orphan of secondary-school age was still in school (Demographic and Health Survey, Macro International USA and UNICEF, 2000).

The impact of parental AIDS is not necessarily a direct one seen only in children who have been orphaned. In both the case of Zimbabwean and Kenyan studies, children's schooling may be temporarily interrupted by a shortage of cash occasioned by spending on parent's ill health or by periods of work in the home to help sick parents. By the time children are actually orphaned they are likely to be over-age for their class, even if still in school. Being older than their classmates was in turn associated with higher rate of dropping out of school (UNAIDS Report, June 2000). The study also implies that relatives or sick relatives saw

marrying a girl off as a relatively painless way of ensuring that she would be cared for after their death.

HIV/AIDS Impact on the Health Sector

Since the start of the epidemic, 18.8 million children and adults have fallen sick and died, and almost twice that number are now living with HIV (UN Report). Already, however the increased demand for healthcare from people with HIV-related illness is heavily taxing the overstretched public services of many developing countries. In recent years, HIV positive patients have occupied half of the beds in the provincial Hospital in Chiang Mai, Thailand, 39% of the beds in Kenyatta National Hospital in Nairobi, Kenya and 70% of the beds in Prince Regent Hospital in Bujumbura, Burundi. (See appendix three) . Dr. S. Mulindi of Kenyatta National Hospital, Nairobi Kenya stated that in- patients suffering from HIV-related illness resulted in patients suffering from other illnesses being crowded out of the hospital (The Standard, July 19th 2000) There is increased mortality among HIV-negative patients, who are being admitted at later stages of illness. (Report on the Global HIV/AIDS Epidemic. June 2000pp 31-32.).

Tuberculosis has become the leading cause of death among people with HIV infection, accounting for about a third of AIDS deaths worldwide. There is also a greater risk of the tubercle bacillus will pass onto others in the community. The World Bank has estimated that 25% of HIV-negative persons dying of tuberculosis in the coming years would not have been infected with the bacillus

the absence of the HIV epidemic. Each of these new tuberculosis infections represents a further cost to the health sector.

The development of new therapies for HIV infected people and of vaccines will further raise sector costs in infrastructure, drugs, training, and personnel expenditure. As in other sectors of the economy, rising rates of HIV infection in healthcare workers will increase rates of absenteeism, reduced productivity, and lead to higher levels of spending for treatment, death benefits, additional staff recruitment and training of new health personnel.

HIV/AIDS Impact on Agriculture

Agriculture is one of the most important sectors in many developing countries. It might provide a living or survival for as much as 80 % of the country's population. Indirectly, it provides a livelihood for still other parts of the population, such as processing workers in tea and sugar estates. A 1997 study by Food and Agriculture Organization (FAO) of the United Nations showed that in the mid-west of Cote d'Ivoire care for male Aids patients cost on average a half of the net annual income of most small-scale farms. As an infected farmer becomes increasingly ill, he and the family members looking after him spend less and less time working on family crops.

A recent survey in the Bukoba district of the United Republic of Tanzania found a radical shift in the allocation of labour time: a woman with a sick husband spent 60% less time on agricultural activities than she would normally do. In Zimbabwe, the output of communal agriculture has fallen by 50% over the past 5

years owing largely though not solely to the AIDS epidemic, according to a UNAIDS report published in 1998. This could lead to a future food crisis. A study in Namibia by FAO concludes that the impact of AIDS related deaths on the breadwinners meant that their livestock (especially in households headed by women and children) generally was lost, thus jeopardizing food security for the surviving members.

HIV/AIDS Impact on National and Regional Security

Most armed force personnel are in the most vulnerable age group where sexual activity is relatively high i.e. eighteen to forty years. They are also more likely to be separated from their spouses/boyfriends/girlfriends for long periods hence prevalence among the security forces including the military and police is extremely high. More than thirty percent of soldiers in many African countries are HIV positive. In Kenya it is estimated that at least two policemen die of AIDS every week (Time Magazine. 2000. pp32). As AIDS takes its toll on the security forces, it is expected that the capacity of nations and regions to defend themselves and maintain law and order will be compromised.

America's Central Intelligence Agency recently called the spread of AIDS in Asia, former Soviet Union and particularly Africa a threat to U.S. national security and said that it could trigger ethnic wars and genocide and undermine democratic governments (Time Magazine 2000.pp33)

HIV/AIDS and Global Inequalities

HIV/AIDS will further increase the divide between the developed and developing world at a time when the existing disparities are worrisome enough. Developing

countries, which have ninety-five percent of the world's HIV positive cases account for a meager twelve percent of the global spend on HIV/AIDS care and prevention. Kenya which has more than the double the United States HIV cases, has to handle the enormous challenge with a gross domestic percentage that is more than seven hundred times smaller and a health budget that is about ten thousand times smaller [see appendix four (HIV and AIDS: Facts that could change your life.2001.pp124-125)]

Legislation Challenges with HIV/AIDS

Resolution 49/1999 of the UN Commission on Human Rights states:

“ Discrimination on the basis of HIV or AIDS status, actual or presumed is prohibited by existing international human rights standards and that the term ‘ or other status’ in non-discrimination provisions in international human rights texts should be interpreted to cover health status, including HIV/AIDS”

In the absence of appropriate legislation, people living with HIV/AIDS and their relatives are unlikely to come out in the open and declare their status and participate in the resolution of the crisis.

UNAIDS/ILO legal guidelines are quite clear and recommend that legislation should be in place that prohibits HIV testing by employers for purposes of determining appointment, promotion, training and employee's rights to various benefits.

HIV/AIDS also poses some peculiar legal dilemmas. These include: -

- Do doctors have a legal/moral obligation to inform spouses and partners of the HIV status of their patients? And how should this be balanced with existing laws/ethics on doctor-patient confidentiality?
- Should HIV testing be mandatory before marriage? Do institutions such as churches have a legal right to insist on it?
- How should the law handle people who are known or suspected to have willfully infected others with HIV?

HIV/AIDS is Hurting Business

HIV is not fundamentally a disease of poverty. In many countries, HIV prevalence during the early stages of the epidemic has been greatest among people with relatively high incomes or educational levels, such as managers and technical workers (Ryder1990; Melbye1986). The World Bank estimates that AIDS could shrink some African economies by up to 25% over the next 15 years (Time Magazine, pp32).

Managers at one sugar estate in Kenya said that they could count the cost of HIV infections in a number of ways: absenteeism (8000 days of labour lost due to sickness between 1995 and 1997); lower productivity (a 50% drop in the ratio of processed sugar recovered from raw cane between 1993 and 1997) and higher overtime costs for workers obliged to work longer hours to fill in for sick colleagues. Direct cash costs related to HIV infection have risen dramatically: spending on funerals rose five-fold between 1989 and 1997 whilst health costs rocketed by more than tenfold, reaching 19.4 million Ksh in 1997. Illness and

death jumped from last place to first place reason for people leaving the company, while old age and retirement slipped from the leading cause of employee drop out in the 1980s to just 2% by 1997 (Rugema et al UNDP/FAO 1999). While experience suggests that HIV prevention is most effective when introduced very early on, before the virus becomes uncontrollable, interviews conducted in the engineering and construction companies in Gaborone, Botswana found resistance to the idea of implementing HIV prevention and planning measures even though 39% people of working age in the city were estimated to be infected in 1998 (UNAIDS Report 2000 pp33-34).

Transferring costs to government, to households and to a lesser extent to other companies is a rational response by profit –maximizing businesses, and it should be expected. Of all those who are affected by the pandemic, private firms have the greatest flexibility in containing and avoiding costs because they can; governments and household will bear the costs because, in most cases, they can't avoid them.

If governments demand too much of the private sector, however, companies are likely to fail or if they can, relocate to lower-cost countries. Private sector bankruptcies and relocations are an undesirable outcome for everyone; government loses tax revenues, employees lose jobs and communities lose investment and commercial activity. Because of this threat and the importance of a successful private sector, the moral argument that businesses should bear all the costs of HIV/AIDS among employees is a risky one,

The private sector clearly has an important responsibility for preventing HIV infections among employees and caring for those infected. The potential for the private sector should not be neglected, but it should not be over-estimated either. Recent statements implying that the private sector is the solution to the HIV/AIDS epidemic in Africa should thus be viewed with caution. Private sector action is only one of the many solutions that will be needed to sustain social and economic development in the face of this crisis

The Pharmaceutical Industry In Kenya

The pharmaceutical industry can broadly be categorized into 2 branches: the human pharmaceuticals and the veterinary pharmaceutical industries respectively (Siage, 1999). For the purpose of this study, the focus will mainly be on the human pharmaceutical industry.

The human pharmaceutical industry can further be divided into three broad categories depending on the kinds of products and the rules governing their manufacturing procedure, marketing and usage. These categorizations are as follows:

1. The over the counter drugs - these require no elaborate usage instructions or precautions for the medicines to be taken
2. Pharmacy only category- this requires the purchaser to take elaborate instructions on the correct usage and precautionary levels
3. Prescription only medicines, also known as the ethical category- these drugs are purchased on presentation of a duly signed prescription from a

qualified doctor. This category is strictly regulated and is monitored a lot by the pharmacy board. Any infringement may result in litigation.

According to the medical dictionary (2000), there are one hundred and thirty firms involved in manufacturing, importing, marketing and distribution of pharmaceutical products in Nairobi. The study will involve the activities of some of the firms that are located in Nairobi.

THE PHARMACEUTICAL INDUSTRY RESPONSIVENESS TO THE HIV/AIDS PANDEMIC

Firms such as Wellcome have gone beyond the traditional role and responsibilities of a pharmaceutical company and in 1992 launched an international programme of HIV education, care and community support called 'Positive Action'. Positive Action is a global programme comprising a wide range of projects undertaken both internationally and nationally, showing the way towards new and innovative ways of meeting the challenges posed by HIV and AIDS.

The Industry and HIV community support initiatives.

HIV and AIDS strike hardest against those on the fringes of society, as well as the disempowered. Firms such as Wellcome aim to work with and support AIDS service organizations, self-help groups, counsellors and other community-based groups and services to help them build upon their success.

Firms and the children and young people initiative

This initiative is designed to help address two different challenges. There is clearly a need to develop new and more effective ways of persuading young people to practice safer sex. Second, with predictions of ten million children infected by the year 2000 and a further 10 million AIDS orphans, pharmaceutical firms seek to facilitate the provision of services to children and families affected by HIV and AIDS.

The work place initiative

People living with HIV and AIDS are still often subjected to prejudice and discrimination at their place of work. In 1987, Wellcome mounted a company wide education campaign about HIV and how to avoid infection. More recently it has conducted a survey of all 17,000 employees to ascertain levels of knowledge about HIV and its transmission, and to identify gaps in knowledge and what additional information the company should be providing. It has also conducted a worldwide employment policy audit – as part of positive action – to ensure that Wellcomes' policies adequately support employees with HIV.

The developing country initiative

The great majority of HIV infections are in developing countries. Prevention of the further spread of HIV and the care and support of those affected are both critical issues. This initiative represents a commitment to help address HIV prevention and care in developing countries in an integrated and systematic way,

to join with project partners in order to develop and disseminate models of good practice.

The information and policy initiative

This includes both factual information about numbers infected, the spread of the virus routes to transmission and means of prevention, as well as opinions and attitudes that can counter or reinforce stigma and prejudice. This initiative aims to help policy makers and information providers such as the media develop sound policies and provide accurate information about HIV and AIDS.

The continuous investment in the research and development of diseases that are considered World Health Organization priority diseases namely, HIV/AIDS, malaria and Tuberculosis by GlaxoSmithKline is a sign of their commitment to the welfare of society. International firms are currently offering sustainable preferential pricing arrangements in less developed countries and sub-Saharan Africa for currently available medicines that are needed most in the areas of vaccines and HIV/AIDS. Some of the proposals, which have been made to increase access to the HIV medicines, include: -

- Donation programmes
- Reduction of prices by pharmaceutical companies to patients in developing countries
- Review of patent rules on ARVs so as to allow countries import them from the cheapest source or manufacture them
- Massive global funding

CHAPTER THREE

3.0 Methodology

This was an exploratory study carried out among the pharmaceutical firms based in Nairobi, Kenya. The research shall be conducted across all the categories of the firms in Kenya for the following reasons;

HIV/AIDS affects all sectors of society and therefore it is the responsibility of all businesses concerns rather than being limited to a single sector only to address the issue. In the case of the pharmaceutical industry then both firms that are responsible for manufacturing and selling ARVs as well as those that do not were therefore considered. A HIV/AIDS patient will be afflicted by all sorts of illnesses and would therefore require not only ARVs for survival but also antibiotics, analgesics, creams and ointments that other pharmaceutical firms and not only the ones that manufacture and sell ARVs .

Population

The population of interest in this study consists of the one thirty firms, according to the medical directory (2000), that are involved in manufacturing, importing, marketing and distribution of the pharmaceutical products. These firms can be broadly categorized into the following:

1. The Multinational Corporations for example, Aventis, Astra-Zeneca. These are the firms that invest in research and development and deal with patented products

There are 55 based in Nairobi.

2. The generic companies that export to Kenya, for example Cadila, Glenmark. Majority of these firms import their products from India. These total 57 in the Nairobi region.

3. The local manufacturing firms for example. Elys, Regal, Cosmos. These firms only produce generic drugs and do not invest in research and development of new formulations. These are 18 that are located in the study region

Sample

Given the time limit of the study as well as the size of the population of interest, the study concentrated on at forty-nine firms which will be representative of 37.69% of the population. Proportionate stratified random sampling technique was used in the ratio of 3:3:1(21 firms shall be randomly picked from the category of the Multinational pharmaceutical firms, 21 from the generic importing companies and 7 firms from the local manufacturing firms.

Data collection

The study used the survey method to conduct research, and a questionnaire in the drop-and pick- later method to collect primary data. The target respondents being Managing Directors/General Managers/Commercial Directors of the pharmaceutical firms. The questionnaire is divided into the following sections.

➤ **Section A** of the questionnaire

This attempted to cover the demographic data on the firms.

➤ **Section B** of the questionnaire

This section attempted to look at the initiatives of the firms towards addressing the HIV/AIDS pandemic.

➤ **Section C** of the questionnaire

This considered the factors that influence responsiveness of the firms to HIV/AIDS issues.

➤ **Section D** of the questionnaire

This attempted to highlight the obstacles to the implementation of socially responsive activities by the firms.

Personal interview method of data collection was conducted with four key opinion leaders and members of the Pharmaceutical Society of Kenya, the regulatory arm of the pharmacies in Kenya .Two representing the Multinational firms and two representing the local manufacturers. These members gave an insight of the broader industry problems and concerns as well as the vision of the industry.

Data Analysis

The data analysis techniques to be used in this study will be the simple summary statistical tools.

- Descriptive statistics was used in analyzing the data, such as percentages, means and proportions as well as cross tabulations.
- Cross tabulations and frequencies was used to measure the overall ranking of the initiatives undertaken by the different firms. Ranking

method shall be used to see what initiative(s) are most favoured by the firms in each of the categories

- Factor analysis was used to identify the most prominent factors that influence the social responsiveness of these firms.
- Qualitative techniques were applied to compare results of the personal interviews.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

In this section, the data from the completed questionnaires was summarized and presented in the form of tables, percentages and mean scores.

Out of the one hundred and thirty-nine firms that comprised the population of the study, forty-nine firms that comprised the sample received the questionnaires. Sixteen managers declined to take the questionnaire citing various reasons (see for instance section on limitation of the study). Out of the thirty-three questionnaires that were accepted by the managers, twenty were filled and returned in good time for the data analysis to be carried out. This gave an overall responded rate of forty point eight percent.

The data findings were presented in four stages. The first stage presented data on the current socially responsive initiatives that the firms undertook in Nairobi, the second presented data on managers attitudes towards arguments for and against the firms being involved with societal issues with regard to business social responsiveness and with particular reference to the HIV/AIDS scourge. The fourth presented data on factors that the favour the firms involvement in supporting society deal with the problems associated with the HIV/AIDS pandemic while the fourth presented data on the obstacles that acted as impediments to the firms involvement and participation in managing HIV/AIDS in society.

The firms that provided the data that was analyzed were divided into three categories, namely the multinational enterprises that were affiliated to a parent company elsewhere, the importing distributors and the local manufacturing firms at a ratio of 3:3:1 (multinational: distributor: local manufacturing firms) which is proportional to the current population of the firms in Nairobi.

The smallest firm had at least six employees whereas the largest had three hundred and eight people. The mean number of employees being fifty-six people.

FIVE POINT LIKERT SCALE

The five point likert scale was used to assess how the respondents perceived a statement. Those that scored five perceived the statement to be very important and those respondents that scored one perceiving it as unimportant. The attitude index (in the last column of the tables) was calculated by subtracting from each attitude statement, the percentage of respondents who found the statement important (score four and five) from the percentage of those who found it unimportant (score one and two). The neutral score (in this case score three) was ignored for the purposes of this calculation.

A positive attitude index indicates that, in general, the respondents found the statement important (valid) while a negative index indicates that, in general the statement was found to be unimportant (invalid).

MEAN SCORES (X)

The mean score indicated the level of importance that the respondents placed on a statement similar to the five point likert scale. Therefore a statement that attained a mean score of 4.72 for example in the case of healthcare professionals indicated

that these group of people were considered to be very important by the firms whereas a mean score of 2.60 as was the mean for the general members of society implies that the firms found these an unimportant group for their social responsive activities.

STANDARD DEVIATION (n – 1)

This was used to determine the distribution of the sample. A standard deviation less than two implied that the distribution followed the normal curve. The more the standard deviation tended to zero for example in the case of healthcare professionals which was 0.57 implies that nearly all the firms were in consensus about this group (see table one).

Twenty five percent of the firms had no strategy or policy addressing community concerns while seventy percent claimed that they did have such a strategy in place. Forty percent of the sample indicated that they had no policy for tracking and analyzing the effectiveness of the social programs they conducted while forty-five percent did. Forty percent of the firms manufactured/and or sold prescription only medications, ten percent sold pharmacy products only while another forty sold both pharmacy and prescription only products

Socially responsive initiatives being undertaken by the Nairobi firms with in assisting society deal with the HIV/AIDS pandemic

Generally the firms mostly targeted the healthcare professionals for their socially responsive activities. The firms most favoured target group for HIV/AIDS support was the “Healthcare professionals” with a mean score of 4.72

thereby showing that the firms felt that this group was very important target for their socially responsive activities. Sick people, charitable organizations and general members of society each received a mean score of 3.63, 3.00 and 2.60 indicating that the firms considered them in decreasing levels of importance respectively. [See table 1. (a)] Eighty five percent of the respondents obtained a score of four and above indicating that majority of the firms favored this group of people [see table 1. (b)]

TABLE 1 (a)

Target Group for the Firms' Socially Responsive Activities	Standard Value (X/n-1)	Mean (X)	Std Dev. (n-1)
Healthcare professional	8.28	4.72	0.57
Charitable organization	2.56	3.00	1.17
General members of society	2.10	2.60	1.24
Sick people	2.28	3.63	1.59

TABLE 1(b)

Target Group for the Firms' Socially Responsive Activities	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Healthcare professional	70.0%	15.0%	5.0%	0.0%	0.0%	85.0%
Charitable organization	5.0%	30.0%	20.0%	20.0%	10.0%	5.0%
General members of society	5.0%	15.0%	15.0%	25.0%	15.0%	-20.0%
Sick people	35.0%	15.0%	10.0%	5.0%	15.0%	30.0%

Forty -five percent of the respondents felt that public rallies and campaigns were not important social activities for them to conduct whereas only five percent felt that they were extremely important. Twenty percent of the firms were in favor of personal visits to orphanages and AIDS homes whereas thirty percent did not value such visits. Majority of the firms preferred to use direct communication to specific members of society on HIV/AIDS issues (mean score of 4.25 and positive index 55% [Table 2 (a) and 2 (b)

TABLE 2 (a)

Socially Responsive methods important to the firm	Standard Value	Mean	Std Dev.
	(X/n-1)	(X)	(n-1)
Public rallies and campaigns	1.71	2.07	1.21
Personal visit to AIDS homes	2.04	2.79	1.37
Direct communication	3.06	4.25	1.39

TABLE 2 (b)

Socially Responsive methods important to the firms	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Public rallies and campaigns	5.0%	0.0%	20.0%	15.0%	30.0%	-40.0%
Personal visit to AIDS homes	10.0%	10.0%	20.0%	15.0%	15.0%	-10.0%
Direct communication	55.0%	10.0%	5.0%	0.0%	10.0%	55.0%

Table 3(a) and 3(b) show the breakdown of initiatives that the firms currently employ. It was found that the most favored one for the firms was that of conducting continuing medical education meetings, offering HIV/AIDS related medications at special prices, sponsoring healthcare professional to conferences on the issue, printing leaflets to educate the general public on the facts about HIV/AIDS and giving away free samples of their drugs to the needy HIV/AIDS sufferers. Only 5% of the firms did not engage in public rallies and campaigns.

TABLE 3(a)

	Standard Value	Mean	Std Dev.
Current Socially Responsive initiatives the firms' use	(X/n-1)	(X)	(n-1)
Public campaigns	2.88	1.21	0.42
Newspaper	1.52	1.60	1.05
Electronic media	1.65	1.70	1.03
Audio tapes	1.79	1.72	0.96
Company magazines community programmes	1.52	1.89	1.24
Posters	2.23	1.94	0.87
Magazines	1.59	1.95	1.23
Events	1.67	2.00	1.20
Give-aways/samples	1.42	2.11	1.49
Videos	1.82	2.37	1.30
Specialty journal	1.76	2.45	1.39
Leaflets	1.75	2.63	1.50

Special price of products	1.75	2.83	1.62
Meetings	1.99	3.32	1.67
Sponsorship	2.32	3.71	1.60

The mean score are highest for sponsorship (3.71) implying that the firms felt that it was important to carry out this initiative. The lowest mean was for public campaigns (1.21) implying that the firms did not find this initiative important for their activities.

TABLE 3 (b)

Current Socially Responsive initiatives employed by the firms	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Public campaigns	0.0%	0.0%	0.0%	20.0%	75.0%	-95.0%
Newspaper	5.0%	0.0%	10.0%	20.0%	65.0%	-80.0%
Electronic media	5.0%	0.0%	10.0%	30.0%	55.0%	-80.0%
Audio tapes	0.0%	5.0%	15.0%	20.0%	50.0%	-65.0%
Company magazines community programmes	0.0%	20.0%	5.0%	15.0%	55.0%	-50.0%
Posters	0.0%	5.0%	15.0%	40.0%	30.0%	-65.0%
Magazines	5.0%	10.0%	10.0%	25.0%	50.0%	-60.0%
Events	5.0%	5.0%	5.0%	30.0%	30.0%	-50.0%
Give-aways/samples	15.0%	0.0%	15.0%	15.0%	50.0%	-50.0%
Videos	10.0%	5.0%	25.0%	25.0%	30.0%	-40.0%
Specialty journal	10.0%	10.0%	35.0%	5.0%	40.0%	-25.0%
Leaflets	10.0%	25.0%	15.0%	10.0%	35.0%	-10.0%
Special price of products	15.0%	10.0%	0.0%	5.0%	5.0%	15.0%

Meetings	35.0%	15.0%	15.0%	5.0%	25.0%	20.0%
Sponsorship	0.0%	15.0%	10.0%	5.0%	5.0%	5.0%

Managers awareness and opinion of the business socially responsibility concept

Table 4 shows scores obtained by respondents in relation to awareness and opinion of aspects of the business social responsiveness concept. Fifty –seven percent of the managers were advocates of the proponents of the concept (i.e. business firms aiming at goals that are partially beyond the firm’s direct economic interest) whereas forty- three percent held the classical beliefs (i.e. the main function of business is to produce maximum profits for the owners)

Table 4

Managers Awareness and Opinion on Business Social Responsibility Concept

{The bold italicized statements are the ones favouring business social responsiveness}

	Count	Responses (%)
1. Focus is on maximizing profit	11	11.8
2. Concern is on good working environment	16	17.2
3. Businesses should give direct financial/personal support to society	6	6.5
4. Profit is viewed through customer satisfaction	15	16.1

5. The major objective is maximum profit for business owners	7	7.5
6. Business growth & production efficiencies is of outmost importance	13	14.0
7. <i>Business is expected to produce products and services which are honestly represented in the market place</i>	16	17.2
8. By attending to it's economic interests, business is most socially responsive	9	9.7

Total responses	93	100.0 %

Attitudes of managers towards the arguments for and against business social responsibility to the HIV/AIDs pandemic

Specific arguments for and against why firms should be involved with societal issues were stated and managers' opinion recorded.

Tables 5 (a) indicates the managers' attitudes towards specific arguments that favour the firms' involvement with society in assuaging the HIV/AIDS scourge. Generally the managers favoured these arguments with the attitude index ranging positively between twenty five to seventy-five percent. However two arguments received a negative attitude index among the commonly recited arguments that favour business social responsiveness. These were that stated

- "Other social institutions have failed in solving HIV/AIDS problems so business should try" (index = - 10)

- “Since business have a substantial share of society’s management and financial resources, they should be expected to solve social problems”(index = -25)

In general it seems that the more managers found these arguments to be unimportant than important

The arguments that stated;

- “Responsible corporate behaviour can be in the best interest of stockholders”
- “Involvement by business in improving the quality of life for HIV/AIDS patients is an important responsibility of business”

These were favoured as the two most important arguments for businesses to be involved with society and received indices of +70 and +65 respectively

TABLE 5 (a)

	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Attitudes of managers on arguments for Social Responsiveness						
It is in the long run interest of business to get directly involved with social issues	35.0%	15.0%	25.0%	25.0%	0.0%	25.0%
Efficient production of good/services is no longer the only thing society expects from business	45.0%	10.0%	30.0%	10.0%	5.0%	40.0%
A business that wishes to capture favourable public image public will have to show that its actively involved in community work	25.0%	35.0%	25.0%	10.0%	5.0%	45.0%
Social institutions have failed in solving HIV/AIDS problems so business should try	15.0%	15.0%	30.0%	20.0%	20.0%	-10.0%

Since businesses have a substantial share of society's resources, they should be expected to solve social problems	10.0%	20.0%	15.0%	40.0%	15.0%	-25.0%
Involvement by business in improving quality of life for HIV/AIDS patients is an important responsibility of business	40.0%	30.0%	25.0%	0.0%	5.0%	65.0%
Responsible corporate behaviour can be in the best interest of stockholders	30.0%	45.0%	20.0%	0.0%	5.0%	70.0%
Community involvement in business assists in preventing further social problems with the HIV/AIDS pandemic	30.0%	20.0%	45.0%	0.0%	5.0%	45.0%
Corporate social actions programs will help preserve business as a viable institution in society	30.0%	25.0%	20.0%	20.0%	5.0%	30.0%
At least a token effort on social support policies is wiser than holding out due to corporate policy	15.0%	35.0%	40.0%	10.0%	0.0%	40.0%

Table 5(b) shows the computed attitudes that the managers have against business social responsiveness.

	Important		Neutral		Unimportant		
Attitudes of managers on arguments against SR	5	4	3	2	1	Index	
Business will become uncompetative if it commits many economic resources to supporting HIV/AIDS victims	25.0%	35.0%	15.0%	15.0%	10.0%	35.0%	
Business leaders are trained to manage economic institutions and not to work effectively on social issues	20.0%	20.0%	25.0%	10.0%	20.0%	10.0%	

Consumers and the general public will bear the cost of business social involvement to the HIV/AIDS pandemic because business will pass these costs along through their pricing structure to other non- HIV/AIDS medications	25.0%	20.0%	25.0%	20.0%	5.0%	20.0%
Cost on social programmes will drive marginal firms out of business	25.0%	20.0%	10.0%	5.0%	40.0%	0.0%
If society wants to get corporations involved in solving social ills, the government should use tax incentives or subsidies to make it happen	50.0%	20.0%	5.0%	15.0%	5.0%	50.0%
Governments should merely pass the laws they want followed and not expect corporations to get involved in solving society's problems	0.0%	5.0%	15.0%	15.0%	55.0%	-65.0%
Society is better advised to ask only that corporations maximize their efficiency and profits	0.0%	0.0%	20.0%	20.0%	60.0%	-80.0%
Pharmaceutical firms will be criticized no matter what they do	25.0%	10.0%	15.0%	25.0%	25.0%	-15.0%
Business will participate more actively in social responsibility in prosperous times than in recession	60.0%	15.0%	10.0%	15.0%	0.0%	60.0%

Three arguments received negative indices namely,

- “Society is better advised to ask that only that corporations maximize their efficiency and profits” (index = -85)
- “Governments should merely pass the laws they want followed and not expect corporations to get involved in solving society’s problem” (index = -65)
- “Pharmaceutical firms will still be criticized no matter what they do”(index = -15)

There was a neutral index on the argument that stated;

“ The costs of involvement in social programs will drive marginal firms out of business “. This means that although many firms thought this to be a valid

argument (e.g. the local manufacturing firms), there were many that declared it unimportant (the established multinational firms).

The argument that stated that;

“Business will participate more actively in social responsibility in prosperous times than in recession” (index = 60) implies that a majority of the firms felt that participating in societal issues was an expense they could not afford to incur during economic downturns.

The rest of the arguments received a positive index score ranging from 10 to 50

The results indicated by this survey show that there were differences of attitudes toward different arguments for and against the firms assisting society combat the HIV/AIDS scourge. It was noted that eight out of the ten (80%) arguments favoring the firms involvement were positive. This meant that in general 80% of these arguments were important to them. On the other hand five out of the nine arguments against firms involvement were positive. This means that 55% of the managers found these arguments against firms' involvement to be important.

In general although a higher percentage of managers were more sympathetic towards the arguments that favour their firms involvement with assisting society combat the current HIV/AIDS pandemic, a large percentage still felt there were many reasons why their firms should not be involved.

Factors that favour firms support of the HIV/AIDS problems in society

All the factors favouring firms' involvement had positive indices ranging from five to seventy. Table 6 shows the indices calculated on the factors that the managers felt favoured their firms' social responsiveness. Generally the factors that most managers felt contributed most strongly was that of maintaining good company image (index = 70) and the least important factor being competitor activity (index = 5). The survey then implies that the firms' managers feel that company image, type of message being sent and company policy were the critical considerations in determining their firms involvement with society's HIV/AIDS pandemic.

TABLE 6

Factors that favour firm involvement	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Availability of funds	60.0%	5.0%	30.0%	0.0%	5.0%	60.0%
Competitor activity	25.0%	15.0%	25.0%	15.0%	20.0%	5.0%
Type of public addressed	25.0%	35.0%	15.0%	20.0%	5.0%	35.0%
Skill of staff	35.0%	5.0%	40.0%	5.0%	10.0%	25.0%
Company policy	55.0%	10.0%	30.0%	0.0%	0.0%	65.0%
Profitability	40.0%	25.0%	30.0%	5.0%	0.0%	60.0%
Suitability	40.0%	30.0%	20.0%	10.0%	0.0%	60.0%
Type of message	45.0%	30.0%	15.0%	10.0%	0.0%	65.0%
Other	10.0%	0.0%	0.0%	0.0%	0.0%	10.0%
Company image	50.0%	25.0%	20.0%	0.0%	5.0%	70.0%

Obstacles to the implementation of the firms' social responsive programs

Table 7 indicates the index values of obstacles that the firms' managers felt act to impede their social responsiveness. These were ranging from negative twenty-five to positive fifty. Fifty percent of the managers quoted resource constraints (index = 50) as adversely affecting their social programs. Most managers did not feel that competition from other pharmaceutical firms (index = -25) as important in preventing their own firms' social programs. There were several neutral scores (index = 0). These were for cultural inhibitions, government regulations and the size of the target group that firms were addressing socially.

Most managers felt that lack of clear government policies, over-reliance on headquarter directives (in the case of multinational firms and importing distributors), inadequate research on social needs, lack of consumer purchasing powers and the inability to measure effectiveness of their social programs as important obstacles while liberalisation, lack of public participation and legislative constraints were not perceived to be important.

TABLE 7

	Important		Neutral	Unimportant		Index
	5	4	3	2	1	
Obstacles that impede firm involvement in SR						
Lack of clear government policies	30.0%	20.0%	25.0%	15.0%	10.0%	25.0%
Resource constraints	45.0%	20.0%	20.0%	10.0%	5.0%	50.0%

Preoccupation with short term returns	25.0%	0.0%	30.0%	15.0%	30.0%	-20.0%
Inadequate research on social needs	30.0%	15.0%	20.0%	20.0%	15.0%	10.0%
Inability to measure effectiveness of co	25.0%	20.0%	25.0%	20.0%	10.0%	15.0%
Legislative constraints	10.0%	15.0%	30.0%	20.0%	20.0%	-15.0%
Over reliance on headquarter directives	35.0%	15.0%	20.0%	5.0%	25.0%	20.0%
Size of target group	10.0%	20.0%	40.0%	20.0%	10.0%	0.0%
Competition	5.0%	15.0%	35.0%	20.0%	25.0%	-25.0%
Consumer purchasing power	35.0%	5.0%	30.0%	15.0%	15.0%	10.0%
Liberalisation	5.0%	15.0%	35.0%	20.0%	20.0%	-20.0%
Lack of public participation	5.0%	25.0%	15.0%	25.0%	25.0%	-20.0%
Cultural inhibitions	10.0%	25.0%	25.0%	10.0%	25.0%	0.0%
Government regulations	15.0%	20.0%	30.0%	20.0%	15.0%	0.0%

PERSONAL INTERVIEWS WITH KEY OPINION LEADERS IN THE INDUSTRY

(See appendix eight for the questions asked at the interviews.)

The opinion leaders were from the two opposing ends of the industry, namely the multinational representatives who sell patented products while the local manufacturers favour generic manufacturing practices with no capital spent on research and development of new drugs.

From the interviews it was seen that the Multinational firms were generally involved in carrying out social programs to assist society combat the HIV issues plaguing society. They do this mainly by educating and training healthcare workers, sponsoring medical education, discounting prices of medicines used by HIV/AIDS patients, sponsoring their products for medical trials. These firms have noted a positive impact of their firms' social involvement as it made their firms closer to key opinion leaders in the medical industry and thus resulted in increased customer loyalty. The managers in this case due to their firms' participation in the social programs have gained greater insight into the scale of the problem. These managers cited the government as instrumental in causing the failure of many social programs. For instance the access to better medication program that required governmental support had been launched in May 2000 yet it took the government well over a year to implement thereby resulting in loss of lives. Donations of medications programs also failed because of lack of government organization.

The local manufacturers on the other hand have not participated in social programs as far as the HIV/AIDS pandemic. The reasons they put forward were that they felt that the problem was within the country, which had instituted a government body with two main players, namely, high ranking professionals who wanted to benefit from the scourge and donors who funded the professionals. They thus felt that their potential had been shunned off. They also quoted the lack of clear policies by the government on rewarding on people fighting HIV/AIDS. They also felt that there was need for proper management of HIV/AIDS issues by the government. To them rather than the government waging a price war on the ARVs they should instead be buying medications for the opportunistic infections that HIV/AIDS carriers often succumbed to. They felt that direct firm involvement couldn't be sustained because by firms focussing on HIV/AIDS they would tent to remove their attention from other areas of concern.

Their recommendation was that there should be a change in government health policy as AIDS was a national crisis that should be guided by written policies.

CHAPTER FIVE

5.0 SUMMARY AND CONCLUSIONS

In this chapter the findings of the study are summarized and discussed in relation to the objectives of the study. Also included in this chapter are the conclusion, limitations of the study and suggestions for further research.

Summary

This study sought to answer four major questions. First it sought to determine the extent to which pharmaceutical firms in Nairobi carried out socially responsive initiatives with respect to the HIV/AIDS pandemic. Second it sought to determine the attitudes of the firms policy makers towards the arguments for and against the concept. Third, the research sought to determine the factors that favour the firms support of society in this process. Fourth it sought to determine some of the obstacles that act as impediments to the firms' involvement with societal issues as far as the pandemic is concerned.

In relation to the initiatives currently being employed by the firms it was seen that those most favoured by the firms are conducting continuous medical education forums for doctors, offering medications required by HIV/AIDS patients at special subsidized pricing, sponsoring healthcare professionals to conferences on HIV/AIDS issues, printing out leaflets to educate the general members of the public on facts about HIV/AIDS and giving out samples of their medications to the needy HIV/AIDS patients. These initiatives are based on the strengths that the firms have since building medical infrastructure and training

healthcare professionals of social responsiveness. This is the competence held by majority of the firms.

In relation to the issue of the managers' awareness of the concept it was found that pharmaceutical firm managers in Nairobi were in general aware of some aspects of the concept. There was an average level of awareness by most of the respondents (53%); Managers of the multinational firms seemed more in favour of their firms' involvement with societal concerns in regard to this issue as opposed to the local manufacturing plants.

In regard to attitudes of the managers towards the arguments for and against the concept it was seen that the managers perceived 80% of the arguments in favour of social responsibility with regards to HIV/AIDS as important. On the other hand 45% of the arguments against businesses being involved with the HIV/AIDS issues plaguing the society were considered unimportant

As far as factors that hinder the firms support of the HIV/AIDS pandemic in society, generally the highest factors that managers felt contributed most strongly was that of wishing to maintain a good company image.

In as much as the firms felt a desire to contribute to society fight against the problems associated with HIV/AIDS, fifty percent of them felt that resource constraints was a key obstacle to their implementation of social programs. Other obstacles quoted were lack of defined policies by the government, the fact that the firms that were affiliated to the parent companies overseas had an over-reliance to headquarter directives, inadequate research by the firms on the social needs, low

consumer purchasing power and the inability to measure the effectiveness of social programs.

CONCLUSION

People form an integral part of the earth's ecosystem. Their health is fundamentally interlinked with the total environment. All available information indicates that it will not be possible to sustain the quality of life, for human beings and all living species, without drastic changes in attitudes and behaviour at all levels.

The findings of this research have brought to light a number of issues regarding the Nairobi based pharmaceutical firms involvement towards assisting society combat the HIV/AIDS pandemic. Despite the social and economic devastation that HIV/AIDS has brought to society, it is clear that in most of the pharmaceutical firms, economic considerations still dominate management thinking

Government policies pervade all the business functions and hence management views, values or convictions have been influenced by the policies during decision-making process. This is more prevalent among the local manufacturing pharmaceutical firms.

The managers trying to implement responsibility strategies are aware of their social obligations and their implications and although at times they are sympathetic to society, they are also constrained by the environment in what they can do to satisfy the public. Some firms include social programs but apart

from the trickle effects resulting from these programs there is very little or no definite social responsibility with respect to the HIV/AIDS pandemic. This is especially so for the firms not selling ARVs which is ironical since they still sell medication that is required for the opportunistic infections that HIV/AIDS patients frequently suffer from. Decision-making in many of the firms is too often based on short-term planning and economic gains.

For firms pursuing high return on investments and survival goals, management tends to resent social responsibility and its connotations. This attitude seems to be due to ignorance about national and society's objectives, defective description of what social responsibility to the pandemic is or even incorrect views about the relevance of social responsiveness to the HIV/AIDS in the country. One executive said "I do not sell any ARVs so I am not involved in running social programs for HIV/AIDS". According to this view social responsibility with respect to HIV/AIDS is incorporated in the traditional business function, namely economic gains.

For most of the local firms, profit maximization is the spurring objective, survival for the fittest is the rule of the day. For small / young firms which are struggling to survive in the short-run, they may be excused on the grounds that it is too early for them to be socially responsive as would be expected of the large well established firms.

There is also failure on the part of the firms managers to appraise and relate economic performance with social expectations, the result of which may encourage further business participation in social response. (For instance the

multinational firms key opinion leaders stated that they felt more loyalty from their customers).

Although it was found that most of the managers support the idealistic views supporting social responsiveness to the HIV/AIDS concerns and react to some calls for social involvement in some ways, adoption of social policies on a large scale may prove to be difficult due to external influences, namely government pressure and the adherence of the managers to traditional economic interests. This could be as a result of the reward penalty psychology, adherence to traditional economic interests or low business earning power. As pointed out in the literature review, management is likely to choose the approach in which to respond to social issues after evaluating the opportunities it can exploit in discharge of social responsive activities and the threats it may face in respect to other forces. Given the prevailing economic hardships, business managers feel that they must first be economically successful before becoming socially involved with the HIV/AIDS pandemic.

Concerted action to achieve a sustainable, supportive environment for health is the challenge of our times. The call for action is directed towards policy-makers and decision-makers in all relevant sectors and at all levels. Advocates and activists for health, environment and social justice are urged to form a broad alliance towards the common goal.

A supportive environment is of paramount importance for health. The two are interdependent and inseparable. The achievement of both can be made central

objectives in the setting of priorities for development, and be given precedence in resolving competing interests in the everyday management policies.

. The solutions lie beyond the traditional business concepts.

Limitations of the study

The study was constrained by a number of factors. Time was the limiting factor and this limited the scope and depth of the study. Owing to the short time during which the study was conducted, it was not possible to get all managers to fill the questionnaires or to conduct the interviews. A number of the managers (eleven) refused to take the questionnaire, citing reasons such as:

(d) lack of staff and time to fill the questionnaire

(ii) A managerial policy not to release any information related to the firm

(iii) Management not being able to commit itself to filling the questionnaire because of workload pertaining to earlier commitments to fill other researchers' questionnaires

(iv) Managers of firms with parent company outside of the country insistence that the questionnaires to be sent abroad for the managers in headquarters to fill the questionnaires

(i) Some managers felt that only the firms involved in manufacturing and selling ARVs should be the only ones responsible to society's HIV/AIDS problems

Thirdly, there are limitations of measurement, which are common to all surveys. Beliefs and feelings that are used in the study of attitude may change over time and also respondents may give biased or dishonest answers.

Suggestions for further research

The researcher recommends that since the study was conducted from the pharmaceutical firms' point of view, then a similar study should be conducted targeting the recipients of the firms' social responsiveness. For instance, the healthcare professionals should be studied to analyze their level of satisfaction with the firms social programmes and to further reveal their opinion on what the firms can engage themselves in perhaps that could lead to economic gains (e.g. through increased customer loyalty). The researcher also suggests that the other studies be done in the service industry to assess if the results would differ across industries. It would also be critical to undertake other studies targeting the government policy makers and what influences their policy-making in matters that deal with societal concerns as they play a role in the social responsive patterns of behaviours of some firms.

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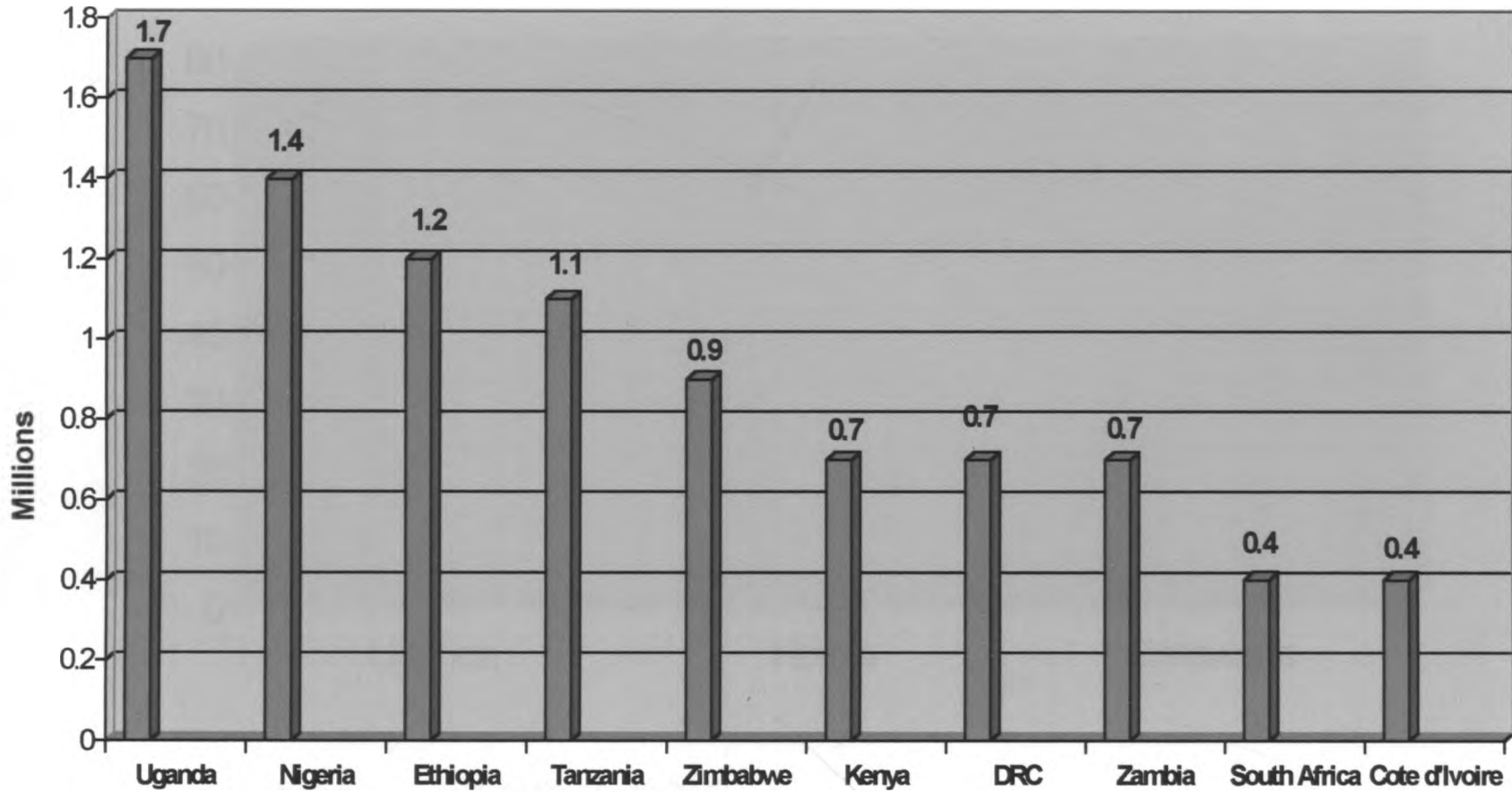
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PEOPLE LIVING WITH HIV/AIDS: 2000

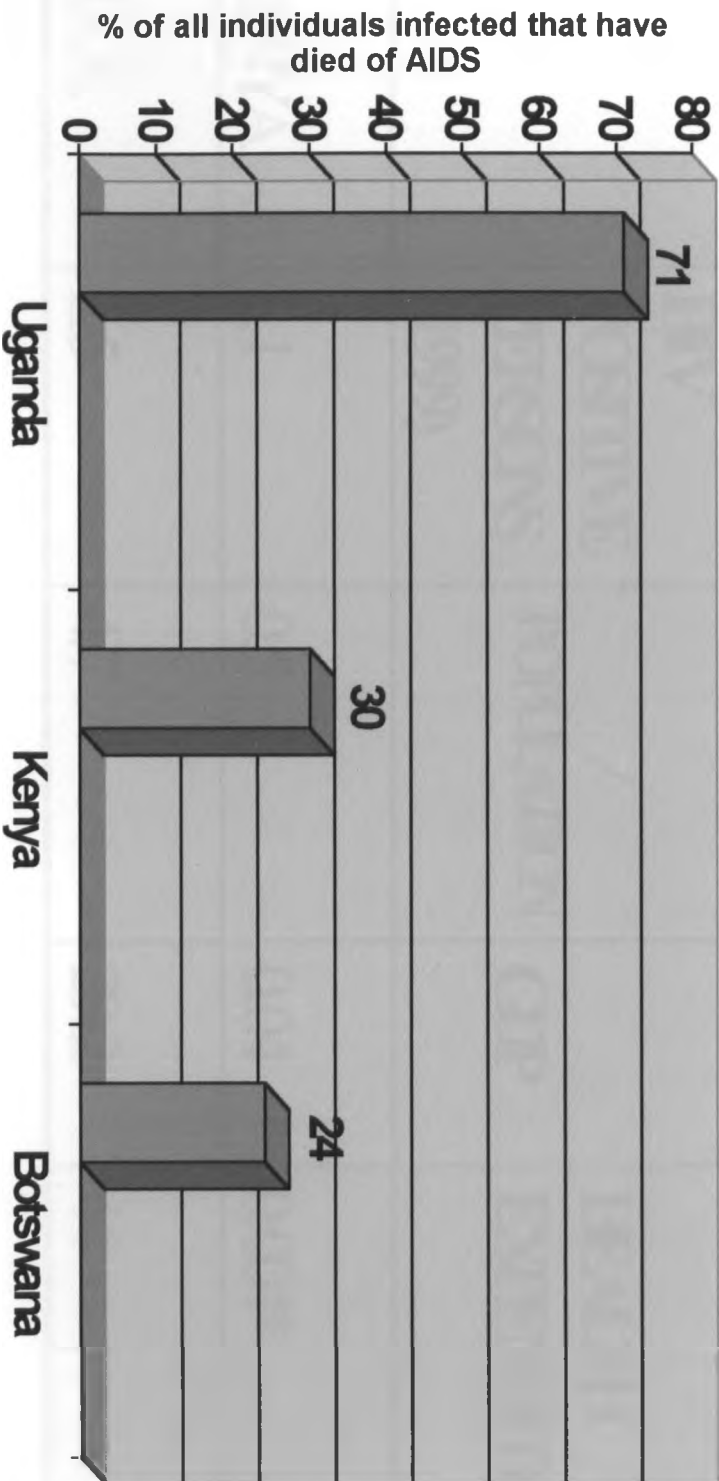
Region	People living with HIV/AIDS	% of World Total
Sub-Saharan Africa	25.3 million	70
South & South East Asia	5.8 million	16.1
Latin America	1.4 million	3.9
North America	920,000	2.5
Eastern Europe and Central Asia	700,000	1.9
East Asia and Pacific	640,000	1.8
Western Europe	540,000	1.5
North Africa & middle East	400,000	1.1
Caribbean	390,000	1.1
Australia & New Zealand	15,000	-
TOTAL	36.0	100

Top 10 Countries Ranked by Number of AIDS Orphans in 1999



APPENDIX THREE

AIDS DEATHS AS A % OF TOTAL INFECTIONS



Source: UNAIDS, June 2000

APPENDIX FOUR

COUNTRY	GLOBAL SHARE %			
	HIV POSITIVE PERSONS (1999)	POPULATION	GDP	HEALTH EXPENDITURE
KENYA	6.1	0.5	0.04	0.004*
U.S.A	2.5	4.7	29.2	44

* Public Sector

APPENDIX FIVE

LISTING OF THE PHARMACEUTICAL FIRMS INCLUDED IN THE STUDY

MULTINATIONAL FIRMS

- 1.ASTRAZENECA
- 2.AVENTIS PASTEUR
- 3.BAYER EAST AFRICA
- 4.BOEHRINGER INGELHEIM
- 5.ELI-LILLY (SUISSE) S.A.
- 6.MANAGEMENT SOLUTIONS
- 7.NORVATIS PHARMA SERVICES INC.
- 8.NOVO NORDISK
- 9.PFIZER LABORATORIES
- 10.PHARMACIA AFRICA LTD
11. RECKITT BENKISER
- 12.ROCHE PRODUCTS
- 13.SCHERING AFRICA GMBH
- 14.SCHERING-PLOUGH CORP.USA
15. GLAXOSMITHKLINE
- 16.WYETH-AYEST PROMOTIONS
17. HIGH CHEM PHARMACEUTICALS
- 18.FRESENIUS KABI
- 19.JOHNSON AND JOHNSON
- 20.MEPHA
- 21.LEO PHARMACEUTICALS

IMPORTING DISTRIBUTORS

- 1.ARMICON PHARMACEUTICALS
2. BIODEAL LABORATORIES
- 3.BULK MEDICALS
- 4.CAROGA PHARMA
- 5.CORE HEALTHCARE LTD
- 6.EUROPA HEALTHCARE
- 7.HARLEY'S LIMITED
- 8.KOTEC (K) LTD
- 9.LADOPHARMA COMPANY LTD
- 10.LORD'S HEALTHCARE
- 11.SAI PHARMACEUTICALS
- 12.PHILLIPS PHARMACEUTICAL
- 13.SURGILINKS
- 14.SURGIPHARM (K) LTD
- 15.TRINITY PHARMA
- 16.UNIVERSAL PHARMACY
- 17.WOCKHADT (EUROPE) LTD
- 18.JUBA CHEMISTS
19. C. MEHTA
- 20.MEDOX LTD
- 21.COUNTRYWIDE CHEMISTS

LOCAL MANUFACTURING FIRMS

- 1.COSMOS (K) LTD
- 2.ELYS CHEMICALS
- 3.LABORATORY AND ALLIED
- 4.PHARMACEUTICAL MANUFACTURING COMPANY
- 5.REGAL PHARMACEUTICALS
6. SPHINX PHARMACEUTICALS
- 7.MEDIVET PRODUCTS

APPENDIX SIX



UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAMME – LOWER KABETE CAMPUS

Telephone: 732160 Ext. 226
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

15/8/01

Dear Respondent,

I am a post-graduate student at the University of Nairobi, Faculty of Commerce. Currently I am conducting a study titled "**A Survey of the Social Responsiveness of the Pharmaceutical Industry to the HIV/AIDS Pandemic: A Case of Some Firms in Nairobi**". This study is for a management project report as a requirement in partial fulfillment of the Degree of Masters in Business Administration.

Your organization, which falls within the population of interest, has been selected to form part of this study. This therefore is to kindly request you to assist me collect data by filling in the accompanying questionnaire or according me an opportunity to come and assist you fill it.

The data provided will be used exclusively for academic purposes. Any information that you shall provide will be treated in the strictest of confidence and in no instance will your name and that of the firm be mentioned in the final report. A copy of the research project will be made available to you upon your request.

Your cooperation will be highly appreciated.

Thanking you in advance.

Yours Faithfully,

MARGARET G. RARIEYA

MBA STUDENT

MR. G. OMONDI

SUPERVISOR and LECTURER UoN

APPENDIX SEVEN

QUESTIONNAIRE

Please answer according to the instructions given

1 Name of the company.....

2 Country of origin of your company.....

1. Designation of respondent.....

2. What is your company mission statement?

How long has your company been operating in Kenya?.....

4 What was your total number of employees as at the end of last year?

5 Does your firm have a policy or strategy dealing with addressing community concerns?

Yes No

(b) If YES , what does it involve?

(c) If NO , explain the reasons

6 If Yes, who prepares your community assistance program? Please give title.....

7. Does your firm have a procedure of tracking and analyzing the effectiveness of your community activities?

Yes No

If yes, please specify.....

8. What is the relative size of your organization on the basis of any of the following; (using last years records).

- (a) Sales turnover.....
- (b) Production levels (where applicable).....
- (c) Capital employed.....
- (d) Asset values.....
- (e) Number of employees

9. What type of products do you (*manufacture and*) sell in Kenya?

{ } Prescription only (POM) { } Pharmacy only (P) { } Both

10. Who do you consider as your major competitors in the industry?

(Please list in order of importance, from the most important to the least important)

- | | |
|---------|---------|
| 1. | 2. |
| 3. | 4. |
| 5. | 6. |

11. To whom are most of your community assistance activities targeted?

Rank in order of importance. Use the following scale:

- 5 = Extremely Important
- 4 =Quite Important
- 3 = Moderately Important
- 2 =Less Important
- 1 = Not Important

- | | | | | | |
|-------------------------------|-----|-----|-----|-----|-----|
| (a)Healthcare professionals | { } | { } | { } | { } | { } |
| (b)Charitable organizations | { } | { } | { } | { } | { } |
| (c)General members of society | { } | { } | { } | { } | { } |
| (d)Sick people | { } | { } | { } | { } | { } |
| (e)Others (please specify) | | | | | |
| (i) | { } | { } | { } | { } | { } |
| (ii) | { } | { } | { } | { } | { } |

12. Please rank the following in order of importance to your organizations' social responsibility activities, as far as the HIV/AIDS issues are concerned. Continue using the ranking stated above

- (a) Public rallies and campaigns
- (b) Personal visits to AIDS homes
- (c) Direct communication
(e.g. educating healthcare professions, lay people)
- (c) Company donations (please specify)
 - (i).....
 - (ii).....
 - (iii).....
- (f) others (please specify)

- (i).....
- (ii).....
- (iii).....

Which of the following does your company use in the fight against HIV/AIDS? Use the rank provided:

5 =Most Commonly Used

4 = Commonly Used

1 = Moderately Used

2 = Rarely Used

1 =Never Used

	5	4	3	2	1
Electronic media	{ }	{ }	{ }	{ }	{ }
Audio tapes	{ }	{ }	{ }	{ }	{ }
Videos	{ }	{ }	{ }	{ }	{ }
Newspapers	{ }	{ }	{ }	{ }	{ }
Magazines	{ }	{ }	{ }	{ }	{ }
Specialty Journals	{ }	{ }	{ }	{ }	{ }
Leaflets	{ }	{ }	{ }	{ }	{ }
Posters	{ }	{ }	{ }	{ }	{ }
Public campaigns	{ }	{ }	{ }	{ }	{ }
Meetings(specify)					
.....	{ }	{ }	{ }	{ }	{ }
Special pricing of products{ }		{ }	{ }	{ }	{ }
Sponsorship (Specify).					
.....	{ }	{ }	{ }	{ }	{ }
Events (Specify)					
.....	{ }	{ }	{ }	{ }	{ }
Company Magazines { }		{ }	{ }	{ }	{ }
Community programs (specify)					
.....	{ }	{ }	{ }	{ }	{ }
Give-aways /samples { }		{ }	{ }	{ }	{ }
Others (specify)					
.....{ }		{ }	{ }	{ }	{ }
.....{ }		{ }	{ }	{ }	{ }
.....{ }		{ }	{ }	{ }	{ }

14. In your opinion which of the following statements are true about the business social responsibility concept (socially responsive business activities)

✓ Tick only those you think are true

If there are some you consider true but which have not been included, please write them in the space provided for "others-----"

- (a) Focus is on maximizing profits----- ()
- (b) Concern is for good working environment----- ()
- (c) Business is expected to give direct financial or personal support to charitable institutions-----
----- ()
- (d) Profits are viewed through customer satisfaction----- ()
- (e) The major objective is to produce maximum profits for the business owners---- ()
- (f) Business growth and production efficiencies is of utmost importance----- ()
- (g) The business is expected to produce products and services that are honestly represented in the market place----- ()
- (h) By attending to its economic interests business is most socially responsible----- ()

15. In your opinion, how important are the following statements as factors that are in favour of corporate community involvement? Please circle the appropriate response as follows

5= Extremely Important

4 = Quite Important

3 = Important

2 =Less Important

1 = Not Important

	5	4	3	2	1
(a) It is in the long run interest of business to get directly involved with social issues	()	()	()	()	()
(b) Efficient production of goods and services is no longer the only thing society expects from business	()	()	()	()	()
(c) A business that wishes to capture a favourable public image will have to show that it is actively involved in community work.	()	()	()	()	()
(v) Other social institutions have failed in solving HIV/AIDS problems so business should try	()	()	()	()	()
(w) Since business have a substantial share of society's management and financial resources, they should be expected to solve social problems	()	()	()	()	()
(x) Involvement by business in improving quality of life for HIV/AIDS patients is an important responsibility of business	()	()	()	()	()
(y) Responsible corporate behaviour can be in the best interest of stockholders	()	()	()	()	()
(z) Community involvement by business assists in preventing further social problems with the HIV/AIDS pandemic	()	()	()	()	()
(i) Corporate social actions programs will help preserve business as a viable institution in society	()	()	()	()	()

- (j) Making at least a token effort on social support policies is wiser than holding out due to corporate policy
- (k) Business will become uncompetitive if it commits many economic resources to supporting HIV/AIDS victims
- (l) Business leaders are trained to manage economic institutions and not to work effectively on social issues
- (m) Consumers and the general public will bear the cost of business social involvement to the HIV/AIDS pandemic because business will pass these costs along through their pricing structure to other non- HIV/AIDS medications
- (n) The costs of involvement in social programs will drive marginal firms out of business
- (o) If society wants to get corporations involved in solving social ills, the government should use tax incentives or subsidies to make it happen
- (p) Government should merely pass the laws they want followed, And not expect corporations to get involved in solving society's problems
- (q) Society is better advised to ask only that corporations maximise their efficiency and profits
- (r) Pharmaceutical firms will still be criticized

no matter what they do () () () () ()

(s) Business will participate more actively in social responsibility in prosperous times than in recession () () () () ()

16. To what extent do the following factors determine the degree of involvement of your firm in assisting society combat the HIV/AIDS pandemic. Please use the rank below and indicate your choice by putting a tick.

- 5 = Extremely Important Factor
- 4 = Quite Important Factor
- 3 = Important Factor
- 2 = Less Important
- 1 = Not Important

	5	4	3	2	1
(a) Availability of funds	{ }	{ }	{ }	{ }	{ }
(b) Competitor activities	{ }	{ }	{ }	{ }	{ }
(c) Type of public being addressed	{ }	{ }	{ }	{ }	{ }
(d) Skill of staff	{ }	{ }	{ }	{ }	{ }
(e) Company policy	{ }	{ }	{ }	{ }	{ }
(f) Profitability	{ }	{ }	{ }	{ }	{ }
(g) Suitability	{ }	{ }	{ }	{ }	{ }
(j) Company image	{ }	{ }	{ }	{ }	{ }
(h) Type of message	{ }	{ }	{ }	{ }	{ }

(i) Others (Specify)

.....	{ }	{ }	{ }	{ }	{ }
.....	{ }	{ }	{ }	{ }	{ }
.....	{ }	{ }	{ }	{ }	{ }
.....	{ }	{ }	{ }	{ }	{ }
.....	{ }	{ }	{ }	{ }	{ }

17. What method does your company use to set the social responsibility budget?

percentage of sales All available funds

Follow competition Budgeting by task / objectives

Others (please specify).....

In this section use a separate sheet of paper if necessary

18. Which of the following statements explains the obstacles to implementation of corporate social responsibility policies in your firm? Please tick only those that explain the obstacles.

- (a) A manager cannot be expected to implement social responsibility programs if it will adversely affect his profit margins
- (b) The main problem with social responsibility programs is that you can measure only the cost, never the profits
- (c) Most managers are just too busy to worry about their social objectives

- (d) Unless a reward or punishment system for managers that is based on social criteria rather than on economic criteria is devised, managers will not pursue social objectives on their own
- (e) If a manager knows that he will be moving on to another position soon, he is unlikely to make expenditure towards long-term social goals.

19. Indicate the relative importance of how the following factors contribute obstacles to your firm's fight against HIV/AIDS in the community. Use the scale provided;

- 5 =Extremely Critical
- 4 = Quite Critical
- 3 = Fairly Critical
- 2 = Critical
- 1 =Not Critical

- | | | | | | |
|--|-----|-----|-----|-----|-----|
| (i) Lack of policies | { } | { } | { } | { } | { } |
| (ii) Resource constraints | { } | { } | { } | { } | { } |
| (iii)Preoccupation with short term returns | { } | { } | { } | { } | { } |
| (v) Inadequate research on social needs | { } | { } | { } | { } | { } |
| (vi)Inability to measure effectiveness of community programs | { } | { } | { } | { } | { } |
| (vii) Government regulations | { } | { } | { } | { } | { } |
| (viii) Legislative constraints | () | { } | { } | { } | { } |
| (ix)Overreliance on head quarter directives | { } | { } | { } | { } | { } |
| (xi) Size of target group | { } | { } | { } | { } | { } |

(xi) Competition	{ }	{ }	{ }	{ }	{ }
(xiii) Consumer purchasing power	{ }	{ }	{ }	{ }	{ }
(xiv) Liberalization	{ }	{ }	{ }	{ }	{ }
(xv) Lack of public participation	{ }	{ }	{ }	{ }	{ }
(xvi) Cultural inhibitions	{ }	{ }	{ }	{ }	{ }

20. Please indicate in order of importance, other problems that you consider your company to be facing that stop it from community involvement with regards to the HIV/AIDS pandemic.

- (i)
- (ii)
- (iii)
- (iv)
- (v)

THANKYOU FOR YOU VERY MUCH YOUR COOPERATION

APPENDIX EIGHT

PERSONAL INTERVIEW QUESTIONS

1. Please share with me some information about yourself as a manager in the firm

(Probe for qualifications, experience, role and responsibilities)

2. Has your company been involved with corporate social responsiveness with regard to the HIV/AIDS matters are concerned?

If YES what?

If NO why not?

(b)What impact has this had on the business?

(c) What impact has this had on society?

(where firms have been involved)

3. Tell me about your experience in corporate social responsiveness with respect to HIV/AIDS.

Has it been easy to do. Why? Why not?

(probe for usefulness/ uselessness of the programs. Difficulties encountered, successes and factors responsible)

1. Do you ever consult your colleagues and other players in the industry about corporate community involvement as far as H(V/AIDS matters are concerned?

If YES who?

If NO why not?

5. (where firms participate in socially responsive ways)

Apart from the ones mentioned earlier are you trying out other ways of improving the level of your firms involvement with society and the HIV/AIDS problems?

If YES what?

If NO why not?

2. Of the methods used in assisting society deal with the pandemic, which would you prefer using. Why?

3. (Probe for reasons that could help facilitate/hinder other forms of corporate social responsiveness with respect to HIV/AIDS)

4. Apart from your firms involvement , has engaging in socially responsive activities with respect to HIV/AIDS influenced any aspect of your life?