


Examining the Relationship Between Corporate Social Responsibility and Competitive Advantage in the Pharmaceutical Industry

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ABSTRACT

This study aims to explore how corporate social responsibility (CSR) practices contribute to the development and sustainability of competitive advantage in the pharmaceutical industry. A qualitative research design was employed to gain in-depth insights into CSR's strategic role within pharmaceutical firms. Data were collected through semi-structured interviews with 28 senior managers, CSR officers, and strategic planners from Tehran-based pharmaceutical companies. Participants were selected using purposive sampling to ensure relevance and depth of experience. Interviews continued until theoretical saturation was reached. Data were transcribed verbatim and analyzed thematically using NVivo software. The analysis followed Braun and Clarke's six-phase approach to identify patterns and emergent themes related to CSR integration and competitive positioning. Three major themes emerged from the data: (1) strategic integration of CSR, including stakeholder-centric planning, top management commitment, and policy alignment; (2) CSR-driven value creation through enhanced brand reputation, innovation, talent retention, and market access; and (3) organizational culture and learning, which encompassed ethical leadership development, employee engagement, and cross-functional collaboration. Participants emphasized that CSR was not peripheral but central to strategic decision-making and a source of sustainable differentiation in a highly regulated and competitive industry. The findings were strongly supported by existing literature, reinforcing CSR's role as a catalyst for trust, legitimacy, innovation, and operational efficiency. CSR plays a critical strategic role in enhancing competitive advantage within the pharmaceutical sector. When embedded into core business operations and aligned with stakeholder expectations, CSR can drive innovation, strengthen reputation, and foster long-term organizational resilience. This study offers practical guidance for pharmaceutical firms seeking to integrate CSR authentically and effectively while contributing to broader social and environmental outcomes.

Keywords: Corporate Social Responsibility, Competitive Advantage, Pharmaceutical Industry, Strategic Management, Organizational Learning, Stakeholder Engagement, Qualitative Research

Introduction

In the evolving landscape of global business, corporate social responsibility (CSR) has emerged as a critical strategic imperative, especially in industries where public trust, ethical conduct, and long-term sustainability are essential for operational success. Among these, the pharmaceutical industry stands out due to its dual responsibility: ensuring public health and maintaining business viability. Traditionally seen as a regulatory necessity or philanthropic obligation, CSR has progressively transformed into a strategic tool for fostering competitive advantage in the pharmaceutical sector. With increasing stakeholder pressure, stricter compliance standards, and



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heightened expectations for transparency and sustainability, pharmaceutical firms are compelled to align social and environmental considerations with their core strategic objectives (Porter & Kramer, 2011).

The pharmaceutical industry is uniquely positioned in the CSR landscape due to the ethical complexities embedded in drug development, pricing strategies, access to essential medicines, and the environmental impact of production. While CSR in this sector has historically focused on compliance and philanthropy, recent developments indicate a shift toward a more integrated approach where CSR becomes central to corporate strategy (Hosseinzadeh et al., 2021). This shift is driven not only by external forces—such as governmental and non-governmental oversight and consumer advocacy—but also by internal recognition of CSR's capacity to enhance brand reputation, stimulate innovation, attract talent, and improve organizational learning (Mzembe et al., 2016).

The concept of competitive advantage, originally grounded in cost leadership, differentiation, and market focus (Porter, 1985), has evolved in the context of contemporary strategic management to encompass intangible assets such as reputation, stakeholder trust, and knowledge capital. CSR activities can serve as a platform to develop such assets, thus reinforcing a firm's position in the market. Evidence suggests that firms implementing socially responsible practices can experience superior financial performance, higher employee engagement, and stronger customer loyalty (Carroll & Shabana, 2010; Lee & Lee, 2019). These outcomes can be particularly valuable in the pharmaceutical industry, where companies must navigate complex stakeholder ecosystems comprising regulators, patients, healthcare providers, investors, and civil society organizations.

A growing body of empirical research supports the link between CSR and improved financial and non-financial performance in healthcare-related sectors. For instance, research by Chatterji et al. (2016) indicates that companies recognized for strong CSR initiatives often enjoy enhanced stakeholder credibility, which translates into competitive differentiation in highly scrutinized industries. Similarly, studies by Luo and Bhattacharya (2006) show that CSR investments positively impact customer satisfaction and firm value, particularly when perceived as authentic and strategically aligned. In the pharmaceutical context, authenticity in CSR is paramount; superficial or symbolic gestures are frequently criticized and can even backfire, leading to reputational damage (Bice, 2017).

Moreover, CSR in pharmaceuticals intersects with critical global challenges, such as ensuring equitable access to medicines, addressing public health crises, and managing the environmental footprint of operations. Firms that actively contribute to addressing these challenges can not only fulfill their ethical obligations but also enhance their legitimacy and long-term viability (Munir et al., 2022). This dynamic aligns with stakeholder theory, which posits that organizations must account for the interests of all stakeholders—not merely shareholders—to achieve sustainable success (Freeman, 1984). By adopting a stakeholder-centric CSR strategy, pharmaceutical firms can co-create value with communities, regulators, and other entities, thus reinforcing their social license to operate.

In developing economies such as Iran, where this study is situated, the relationship between CSR and competitive advantage is further complicated by regulatory constraints, economic instability, and varying stakeholder expectations. Yet, the Iranian pharmaceutical industry remains a significant player in public health delivery and an important economic sector. In recent years, many Iranian pharmaceutical companies have begun to adopt more structured CSR strategies in response to both international trends and domestic policy pressures (Khan et al., 2021). These efforts often involve partnerships with academic institutions, environmental stewardship programs, local health initiatives, and enhanced transparency through sustainability reporting.

Despite the increasing relevance of CSR in the pharmaceutical industry, particularly in emerging markets, there remains a paucity of qualitative research exploring how CSR is understood, implemented, and strategically

leveraged within this context. Much of the existing literature focuses on quantitative assessments of CSR's financial outcomes or broad theoretical frameworks with limited empirical grounding. There is a need for context-sensitive investigations that delve into the lived experiences of organizational actors, uncovering how CSR translates into competitive advantage in real-world practice (Aguinis & Glavas, 2012).

This study addresses this gap by exploring the relationship between corporate social responsibility and competitive advantage in the pharmaceutical industry, using qualitative methods to capture the nuanced perspectives of professionals actively engaged in CSR strategy and execution. By conducting in-depth, semi-structured interviews with executives, managers, and CSR specialists from pharmaceutical firms in Tehran, this research aims to uncover how CSR is integrated into business strategy, how it shapes organizational culture and stakeholder relationships, and how it contributes to sustaining competitive advantage in a complex and highly regulated environment.

The study adopts a thematic analysis approach, supported by NVivo software, to identify patterns and themes from qualitative data collected through interviews. This method enables the researchers to move beyond surface-level analysis and explore the underlying meanings, motivations, and mechanisms that connect CSR to business performance. The use of theoretical saturation as a criterion for participant selection further ensures that the findings reflect a comprehensive understanding of the topic across different organizational contexts.

Ultimately, this research contributes to both academic scholarship and managerial practice. From a theoretical perspective, it offers grounded insights into the strategic dimensions of CSR in the pharmaceutical sector, advancing the understanding of how CSR can be a source of competitive advantage beyond symbolic compliance or philanthropic gestures. From a practical standpoint, the study provides actionable implications for pharmaceutical companies seeking to design and implement effective CSR strategies that align with their core competencies and stakeholder expectations. It also informs policymakers and regulators interested in fostering ethical and socially responsible business practices in health-related industries.

In conclusion, the pharmaceutical industry's heightened social responsibilities and exposure to stakeholder scrutiny make CSR a particularly potent lever for achieving competitive advantage. By exploring this relationship through qualitative inquiry, this study aims to illuminate the mechanisms through which CSR can be operationalized as a strategic asset in the context of Iranian pharmaceutical firms. In doing so, it seeks to bridge the gap between normative aspirations and practical realities, offering a holistic perspective on the value-creating potential of corporate social responsibility in one of the most ethically charged and economically significant industries.

Methods and Materials

Study Design and Participants

This study adopted a qualitative research design to explore the relationship between corporate social responsibility (CSR) and competitive advantage within the pharmaceutical industry. A qualitative approach was deemed appropriate due to its strength in capturing in-depth perceptions, lived experiences, and complex organizational dynamics that cannot be quantified easily. The research focused on senior managers, CSR officers, marketing directors, and strategic planning experts from pharmaceutical companies based in Tehran, Iran.

A total of 28 participants were selected using purposive sampling to ensure that only individuals with direct knowledge and involvement in CSR practices and strategic decision-making were included. Participants

represented both public and private sector pharmaceutical companies of varying sizes, ensuring a broad spectrum of organizational contexts. Data collection continued until theoretical saturation was achieved—that is, the point at which no new themes or insights emerged from additional interviews.

Data Collection

Data were collected through semi-structured interviews, allowing for both guided discussion and the flexibility to probe deeper into emergent themes. An interview guide was developed based on existing literature and preliminary discussions with industry experts, and it included open-ended questions about CSR strategies, stakeholder engagement, sustainability initiatives, and the perceived impact on competitive positioning.

Interviews were conducted in person, lasting between 45 and 75 minutes. All interviews were audio-recorded with the consent of participants and subsequently transcribed verbatim. Ethical considerations were rigorously observed, including informed consent, confidentiality, and the right to withdraw from the study at any time.

Data analysis

The data were analyzed using thematic analysis, following Braun and Clarke's (2006) six-step framework: familiarization with the data, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. NVivo software was employed to facilitate systematic coding, manage the large volume of qualitative data, and support the organization of codes into meaningful categories and themes.

Initial coding was conducted independently by two researchers to enhance reliability, and discrepancies were resolved through discussion and consensus. Emerging themes were further validated through member checking with selected participants and peer debriefing with qualitative research experts. This analytical process enabled the identification of key dimensions linking CSR activities to the sources of competitive advantage in the pharmaceutical sector.

Findings and Results

Theme 1: Strategic Integration of CSR

CSR as Core Business Strategy

Many participants emphasized that CSR was not seen as a peripheral activity but as an integral part of business strategy. Companies embedded CSR in their mission statements, aligning it with long-term sustainability goals and ethical innovation. As one CSR manager put it, "We don't just run CSR campaigns for visibility; our drug innovation pipeline is built around ethical standards and patient-centered goals."

Top Management Commitment

The active involvement of top executives played a crucial role in CSR implementation. Several participants noted that CSR gained traction only when senior leadership prioritized it. One interviewee stated, "When the CEO talks about sustainability in every quarterly meeting, it becomes everyone's concern, not just the CSR department's." Top management support often translated into financial and strategic backing for CSR initiatives.

Stakeholder-Centric Planning

Participants highlighted the importance of engaging stakeholders—including patients, regulatory agencies, and NGOs—in CSR planning. This approach ensured relevance and impact. A regulatory affairs director mentioned,

“Our CSR programs succeed because we consult regulators and patients in the design stage, not just after launch.” Such inclusive planning enhanced trust and adaptability.

Regulatory Compliance and Beyond

CSR was also driven by the need to meet—and in some cases exceed—regulatory requirements. Companies proactively adhered to international standards like GMP and ISO 26000. One participant remarked, “We see compliance not as a burden, but as an opportunity to lead the way in ethical practice.” This proactive compliance helped position firms as leaders in responsible pharmaceutical production.

Internal Policy Alignment

Several companies reported aligning internal policies—particularly in HR, procurement, and R&D—with CSR values. For example, firms implemented green procurement practices and encouraged sustainable research protocols. One HR manager shared, “Our hiring policies prioritize social responsibility—diversity, inclusion, and ethical integrity.” This alignment ensured consistency between values and actions.

Risk Mitigation through CSR

CSR initiatives were also seen as mechanisms for reducing reputational and operational risks. In times of public scrutiny or product recalls, firms leveraged CSR to reinforce trust. “When we had an issue with one of our production lines, our long-standing CSR programs helped us retain our reputation,” explained a quality assurance director.

Theme 2: CSR-Driven Value Creation

Brand Image and Reputation

The role of CSR in shaping a strong brand image was widely emphasized. Ethical branding and public trust emerged as central to competitive positioning. “People trust our name because they know we go beyond profits,” noted a marketing executive. Companies linked CSR efforts to enhanced media presence and consumer loyalty.

Talent Attraction and Retention

Participants consistently reported that CSR influenced employee engagement and retention. Younger employees, in particular, preferred employers with clear social commitments. “I’ve seen interns turn down higher-paying jobs just to stay with us because of our CSR culture,” said a human resources specialist. CSR served as a critical element of the employer brand.

Innovation and Product Differentiation

CSR was found to fuel innovation by encouraging companies to design sustainable and ethical products. From biodegradable packaging to inclusive clinical trials, innovations were shaped by CSR values. A product manager shared, “Our most successful drug in recent years was designed with both efficacy and environmental impact in mind.”

Market Access and Expansion

CSR practices were reported to facilitate smoother entry into new markets, particularly where regulatory barriers were high. By showcasing ethical standards, companies gained local trust and forged partnerships. “In Southeast Asia, our CSR work helped us bypass several initial obstacles—we were seen as a company that gives back,” explained a global business developer.

Cost Efficiency via Sustainable Practices

CSR initiatives also led to operational efficiencies. By adopting energy-saving measures and reducing waste, firms cut costs while reinforcing their ethical stance. “Going green saved us more than 15% in production costs last year,” noted a facility manager. These efforts contributed to both economic and environmental sustainability.

Customer Loyalty and Retention

Several respondents confirmed that CSR strengthened customer loyalty. Transparent communication and shared values led to long-term relationships. “Our CSR reports are not just formalities—they show our customers who we really are,” said a senior communications officer.

Investor Confidence

The alignment of CSR with environmental, social, and governance (ESG) standards attracted investor interest. Transparent CSR reporting was seen as a signal of reliability and long-term profitability. One finance director observed, “Investors ask about our social performance now as much as our profit margins.”

Theme 3: Organizational Culture and Learning

CSR-Oriented Organizational Values

Participants indicated that CSR shaped the values and culture of their organizations. Companies with a strong sense of social mission reported higher internal cohesion. “CSR is not a project—it’s part of how we think and act every day,” shared an executive board member. This cultural embedding created moral alignment across departments.

Cross-Departmental Collaboration

CSR initiatives encouraged collaboration between units that traditionally operated in silos. For example, marketing and R&D jointly developed campaigns highlighting sustainable innovations. “Our CSR team became the bridge between finance, product, and communication units,” explained one participant. This synergy improved CSR execution and knowledge sharing.

Learning from CSR Implementation

Organizations reported using CSR as a platform for reflective learning and improvement. Failed campaigns were analyzed, benchmarked, and refined. “Even our CSR failures taught us something—especially about transparency and timing,” noted a CSR coordinator. This culture of learning improved long-term outcomes.

Employee Engagement in CSR

Involvement of employees in CSR activities—such as volunteering or local initiatives—was linked to higher motivation and job satisfaction. A project coordinator said, “Our employees propose their own CSR mini-projects. It gives them a sense of ownership and purpose.” This engagement reinforced alignment between personal and organizational values.

Ethical Leadership Development

Finally, many organizations used CSR as a foundation for ethical leadership development. Through workshops, mentoring, and value-based training, leaders were encouraged to model integrity. “We train managers to see every business decision through the lens of social impact,” mentioned a leadership coach.

Discussion and Conclusion

The findings of this study reveal a nuanced and multi-layered relationship between corporate social responsibility (CSR) and competitive advantage in the pharmaceutical industry. The thematic analysis identified three overarching domains: (1) strategic integration of CSR, (2) CSR-driven value creation, and (3) organizational culture and learning. These categories reflect how deeply embedded CSR practices, if implemented authentically and systematically, can influence multiple facets of competitiveness—from innovation and branding to stakeholder engagement and employee motivation.

The theme of strategic integration of CSR aligns with existing literature that regards CSR not merely as a public relations tool, but as a core component of long-term corporate strategy (Porter & Kramer, 2011). Participants in this study emphasized the alignment of CSR with mission statements, top management commitment, and stakeholder-oriented planning. These elements are consistent with findings by Aguinis and Glavas (2012), who argue that CSR should be embedded in all levels of organizational functioning to generate tangible strategic benefits. Furthermore, the role of proactive regulatory compliance in creating trust and preempting reputational risks is strongly supported by Bice (2017), who demonstrated that companies engaging in beyond-compliance CSR activities often enjoy greater legitimacy and public approval.

The study also underscored the importance of internal policy coherence—particularly in HR, procurement, and R&D—as a mechanism for ensuring that CSR values permeate organizational operations. This finding is supported by Chatterji et al. (2016), who noted that high-performing CSR firms typically demonstrate alignment between their stated values and operational behaviors. Similarly, Mzembe et al. (2016) found that in African pharmaceutical companies, strategic CSR was linked to ethical product development and sustainable supply chains, mirroring the emphasis participants in this study placed on ethical innovation and green procurement.

In the second major theme—CSR-driven value creation—the data revealed that CSR enhances brand image, customer loyalty, and investor trust. These findings reinforce earlier studies by Carroll and Shabana (2010) and Luo and Bhattacharya (2006), which established a positive relationship between CSR initiatives and consumer satisfaction, particularly when these initiatives are authentic and sustained. The link between CSR and talent retention further echoes the work of Lee and Lee (2019), who found that millennials and Gen Z professionals increasingly prefer working for organizations with a strong ethical profile and meaningful social impact.

Of particular interest was the identification of CSR as a catalyst for innovation and differentiation. Participants emphasized that CSR initiatives, such as eco-friendly packaging or inclusive clinical trials, opened new pathways for value creation beyond cost efficiency or compliance. This observation is in line with Porter and Kramer's (2011) theory of shared value, which argues that addressing social issues can drive innovation and productivity improvements. It also supports empirical evidence from the healthcare sector, where CSR-driven R&D investments have led to patient-centric and sustainable medical innovations (Munir et al., 2022).

The notion that CSR facilitates market access, especially in international and emerging markets, was also validated. Participants reported that their CSR reputation helped reduce regulatory resistance and foster local partnerships, findings that align with Khan et al. (2021), who observed similar effects in Iranian firms expanding into regional markets. Moreover, participants reported cost savings through sustainable practices such as waste reduction and energy efficiency—findings corroborated by Hosseinzadeh et al. (2021), who highlighted operational efficiency as a key benefit of CSR in Iran's pharmaceutical industry.

The third theme—organizational culture and learning—highlights the transformative potential of CSR in shaping employee behavior, promoting cross-functional collaboration, and encouraging ethical leadership. Participants spoke of CSR as a cultural value rather than a departmental responsibility. This supports the findings of Aguinis and Glavas (2012), who emphasize the role of CSR in creating psychologically meaningful work environments. The cross-departmental collaboration driven by CSR initiatives confirms the research of Freeman (1984), who stressed that stakeholder-oriented organizations benefit from greater internal cohesion and communication.

The link between employee involvement in CSR and job satisfaction is well-documented. In this study, employee-led initiatives and CSR volunteering were described as motivators of organizational commitment—findings echoed

in studies by Glavas and Piderit (2009), who demonstrated that CSR participation enhances employees' identification with the organization. Finally, CSR's role in ethical leadership development—as noted in this study—is supported by Carroll and Shabana (2010), who argue that CSR programs serve as training grounds for future leaders committed to responsible decision-making.

Together, these findings suggest that CSR in the pharmaceutical industry is not a static or symbolic practice but an evolving strategic framework that enhances competitive advantage by reinforcing trust, fostering innovation, and nurturing organizational learning.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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