# Managing stakeholders' influence on embracing business code of conduct and ethics in a local pharmaceutical company

## Case of Kampala Pharmaceutical Industries (KPI)



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## Abstract

**Purpose** – This paper aims to avail a soft approach to embracing the process of creating a business code of conduct and ethics and make it work for a pharmaceutical company [player] which wants to remain relevant before stakeholders and society, amidst escalating inducements to go against the acceptable pharmaceutical behaviour.

**Design/methodology/approach** – Data collection was guided by qualitative methodologies. A four stepwise process was followed: data collection at the case company – Kampala Pharmaceutical Industries (KPI), Uganda; validation of data collected at KPI; data collection from external stakeholders of KPI; and re-validation of KPI data based on data collected from external stakeholders. In all this, combination of semi-structured and informal interviews with CEOs, senior staff managers,

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non-participant observation of ethical related activities plus organizing a stakeholder engagement workshop on business code of conduct and ethics was achieved. This workshop helped document what ought to be an ideal design process to secure stakeholder buy-in of the code of business ethics. A local pharmaceutical company in Uganda, KPI was used, which, for continuous five years since its adoption of the business code of conduct and ethics, registered commercial viability without any record of unethical practices. Triangulation was used to ensure credibility and validity of the results. For data analysis, a three-stepwise process was followed, which helped develop a framework within which the collected data revealed themes which were later analyzed. For generalization of the findings, the "adaptive theory approach" was used.

**Findings** – When poorly introduced in an organization, the business code of conduct and ethics can work against the company simply because it will be received with "intentional rebellion" from stakeholders, notably staff. However, when a soft stakeholder engagement and consultative approach is used and followed during the business code of ethics and conduct's design process, multiple stakeholders feel proud and are much willing to live by the promise spelt out in it. Cited notable benefits of living by the code include reputational enhancement, strategic competitiveness and increased possibilities of wining cross-border cooperation among like-minded pharmaceutical players. In the efforts to reap from the code of ethics, communication was observed as an indispensable activity. Refresher trainings to remind the stakeholders about the promises in the code are also needed as time passes by, otherwise they forget. Needless to say, rewarding those who live an exemplary life in embracing and living by the code was cited as key in sustaining the ethical agenda. Lastly, managing multiple stakeholders influences is a curvilinear fashion and involves back and forth consultations.

**Practical implications** – The lessons learnt from KPI can be borrowed and used by both global pharmaceutical players and national/local players, especially those that face challenges living by the promise of their existing codes or those without business code of conduct and ethics. That is, both players can use the suggested process to help participants in their medicine supply chain to come up with working business codes of conduct, as well as guide the stakeholder consultative process which results in stakeholder buy-in.

**Originality/value** – For many years, issues surrounding bioethics have dominated priorities of World Health Organization (WHO), UNESCO and many international and national development allies. However, there is an escalating violation of medical codes of conduct and ethics. Hence, this publication is a step toward the implementation of the principles and objectives of the UNESCO Universal Declaration on Bioethics and Human Rights which is currently challenged with a difficult question posed by life sciences – How far can we go given the dented medical relationship between ethics, medical science and freedom?

**Keywords** Pharmaceutical, Corporate social responsibility, Code of conduct, Business ethics, Health, Stakeholder engagement

**Paper type** Research paper

## Introduction

UNESCO's "Universal Declaration on Bioethics and Human Rights" fronts the rising need to embrace business regulations and rules of behaviour (i.e. business codes of conduct and ethics) in the medical and pharmaceutical world (Pavel and Boris, 2011). This rising need means that embracing codes of conduct and ethics by pharmaceutical players and industries should be integral of their daily business (OECD, 2008). In light of this, researchers (Armstrong *et al.*, 2008), as well as WHO's Department of Ethics and Social Determinants (HIS/ESD), are also pushing for a high level of adherence to ethics and codes of conduct at individual, industry, national and international levels. This adherence cuts through every aspect of medical/pharmaceutical input process, customer/patient interface, marketing operations, price administration, recruitment of staff, service centre location, remuneration and motivation of staff, to reporting/disclosure of process outcomes and medical research related information (National Drug Policy and Authority – NDP/A Act, Cap. 206 Laws of Uganda; British Medical Association – BMA, 2013).

Challenging the above rising need for adherence to business code of conduct and ethics in the global pharmaceutical industry, is the unresolved ethical dilemma of striking a balance between "corporate profitability" and "ethical mandate" (Donaldson, 2008). That is, globally renowned pharmaceutical players, who would have been exemplary, are almost failing to manage ethical issues, or somewhat poorly addressing emerging issues that question their integrity levels and codes of conduct (Nkiko and Katamba, 2010). Conflicts are on the rise due to their marketing tactics and huge fines are being imposed on them. For example, in April 2013, China's "The Xinhua" news agency reported that French drug company, *Sanofi*, allegedly paid over US$250,000 in bribes to over 500 doctors throughout China to increase sales, yet it labelled this bribe as "research grants". In the USA, GlaxoSmithKline (GSK) reached a record $3bn settlement with the US Government in 2012 over charges that it provided misleading information on certain drugs. Similarly, GSK is amidst major bribery investigations in China with police accusations of funnelling up to Yuan 3bn ($494mn) to travel agencies to facilitate bribes to boost its drug sales. That withstanding, in 2007, Bayer and GlaxoSmithKline (*PharmaTimes Online*, 2007) were named and shamed via adverts in the medical and pharmaceutical press following failure to observe the Association of the British Pharmaceutical Industry (ABPI)'s Code of Practice. ABPI's Prescription Medicines Code of Practice Authority (PMCPA) slapped Bayer after the company displayed a leaflet already ruled in breach of the Code during the "British Association of Urological Surgeons conference" on June 29, 2007. Bayer claimed an oversight, but its name remained under ABPI and PMCPA's serious scrutiny for breach of clauses of the Code, notably, Clause 2 (bringing discredit upon, or reducing confidence in the pharmaceutical industry), Clause 9.1 (failing to maintain a high standard) and lastly Clause 22 (failing to comply with an undertaking):

Inspired by these global scandals, this paper aims at pointing out the need to safeguard against the escalating unethical behaviour of global pharmaceutical players. Given their potential to have operations in every part of the world, chances exist for their escalating unethical behaviour to be copied or thought of as "the way to go" or "business as usual". Smaller or country-level pharmaceutical players, especially in developing countries that are struggling with growing their industry (Argandoña, 2008), are much likely to fall prey to these global players. Traces of this worry within the sub-Saharan African pharmaceutical industry are already evident as having a damaging impact on the economies and lose of public confidence in pharmacology (Ayatse, 2012).

For example, in Uganda, deliberate logistical mismanagement of medical-related supplies and deliberate mismanagement of health projects by medical professionals which was first observed by Raja *et al.* (2000) has taken a new twist. The most rampant unethical behaviours now are misappropriation of funds meant for health care, notably "Global Fund for HIV/AIDS" (Daily Monitor, 2010). Additionally, on the rise is the unprofessional and negligent attendance to patients, failure to deliver (or under delivery of) medical and pharmaceutical supplies to [mainly government-/public-aided] medical centres regardless of timely payment being made (*Fox News*, 2013). Corruption and bribery to access medical care and drugs in public health centres (Katamba *et al.*, 2014a) are also on the rise.

From the above, we hypothesize that embracing the business codes of conduct and ethics at individual pharmaceutical level is not only an effective sanction to safeguard against pharmaceutical players breaking the rules, but also further stretching to help raise awareness and reap benefits across the industry over what constitutes acceptable behaviour. Hence, the purpose of this research paper is to provide a *soft approach* to making the business code of conduct and ethics work for a relatively small-to-medium pharmaceutical company [player] which wants to remain relevant to the society where it operates amidst escalating "inducements to go against the acceptable behaviour". That is, this research presents what it found out as a somewhat ideal yet moderately cost-effective design process to secure stakeholder buy-in of the code of business and ethics. To demonstrate this soft approach, we used a local pharmaceutical company in Uganda, Kampala Pharmaceutical Industries (KPI), which, for continuous five years since its adoption of the code of business and ethics, has been able to remain commercially viable and has registered no record of unethical practices.

This research is guided by the following research questions:

*RQ1*. What would be an ideal approach to embracing the process of creating a business code of conduct and ethics that will work and also secure stakeholder buy-in?

*RQ2*. What are the benefits of embracing a business code of conduct and ethics in a pharmaceutical company?

The foregoing introduction is followed by theoretical underpinnings informing this research, a review of the literature and then a methodology, before proceeding to the findings (case study), a discussion and finally a conclusion. The last sections present limitations of this study, as well as recommendations and directions for further research.

## Theoretical underpinnings

This study is guided by four complimentary theories:

(1) *Agency theory* (Eisenhardt, 1989): That is, the "*Principal* (a pharmaceutical company/business)" hires/recruits an agent (manager, staff or any representative) to act on its behalf by representing the principal's interests.

(2) *Stewardship theory* (Donaldson and Davis, 1991, 1993): Here the behaviour of the managers (agents hired) is aligned with the interests of the principal. These first two theories were preferred because they view agents as loyal to the company [Principal] and are interested in achieving high performance, yet protecting the Principal's (pharmaceutical company) long-term interests, say growing profitability and business sustainability.

(3) *Decision-making theory* (Pérez López, 1991): This was also opted because it describes how managers should handle challenges of "making a decision" of whether to act ethically or otherwise in their own interest as agents and/or in the interests of their principals who appointed them as "stewards".

(4) *Stakeholder theory* (Lantos, 2001; Freeman, 1998): This was also opted because it offers guidance on how to identify and engage with stakeholders who are much likely to be affected by decisions and actions made whether ethical or unethical.

## Literature review

*Business code of conduct and ethics*

The word "ethics" is used to describe rules or principles that define the right or wrong conduct. Ethics embody the notion of morality, and what is morally right or wrong (Davis and Frederick, 1985, pp. 76-77). These rules attempt to provide guidelines for human unethical behaviours within society (Beauchamp and Bowie, 2004). Unlike individuals within societies, businesses have responded to the question of unethical behaviours within their day-to-day operations by developing a code of conduct that is communicated to all staff (Nwachukwu, 2004, Dzurgba, 2007). A written code of conduct provides staff with an understanding and knowledge of expected responsibilities and behaviour to achieve organizational objectives (Dubinsky and Loken, 1989; Nwachukwu, 2004). The code of conduct, therefore, becomes a point of common reference for stakeholders unclear about what is expected of them in practice (Dzurgba, 2007). Business ethics are the principles and standards that guide the behaviour of businesses and their stakeholders such as employees, customers, buyers, special interest groups, etc. (McAlister *et al.*, 2005). The most basic standards have been codified as regulations to encourage businesses to conform to society's expectations of business conduct. Unethical behaviours amongst businesses generally come from a conflict of interest between the different stakeholder groups (Donaldson and Preston, 1995).

There are two branches of moral philosophy – "descriptive and normative ethics" (Carroll, 1996, p. 111). Descriptive ethics includes the description, characterization and understanding morality of individuals or society. It is attributed to different moral codes of conducts and systems and mainly emphasizes "what are" the accepted sets of ethical standards in an organization. An example of descriptive ethics are the National Drug Policy and Authority's code of conduct that reports what medical professionals believe is morally acceptable and what is not in Uganda. Conversely, normative ethics seek to uncover, develop and justify basic moral principles and therefore try to propose principles for distinguishing right from wrong in the business context. It deals with "what ought to be" or "what ought not to be" in an organizational practice (Mitchell *et al.* (1997). Beauchamp and Bowie (2004, p. 6) later extends this theory and adds conceptual ethics that relate to businesses' rights, obligations, justice, responsibilities to wider stakeholders.

*Normative stakeholder theory*

Stakeholder management is an ethics-based theory mainly because "managers bear a fiduciary relationship to stakeholders" (Freeman, 1984, p. 43), as opposed to having exclusively fiduciary duties towards stockholders, as was held by the traditional view of businesses. Donaldson and Preston (1995, p. 67) provide two precise ideas to justify the normative basis of the stakeholder theory:

(1) stakeholders are individuals or groups with genuine interests in procedural and/or substantive aspects of the business operations (stakeholders are identified by their interests in the business, despite the business's corresponding functional interest in them); and

(2) the interests of stakeholders are of intrinsic value (that is, each stakeholder group/s merits consideration for its own sake and not merely because of its ability to further the interests of some others, such as the shareowners).

Mitchell *et al.* (1997) presented the normative stakeholder theory from a different perspective to include three core variables: power, legitimacy and urgency elements of stakeholder identification and salience. Power is the extent to which a stakeholder group has the ability to engage with the firm. This power could be dependent on physical resources of force, violence or restraint; utilitarian power – material or financial resources; normative power – symbolic resources such as prestige, esteem and social status in society (Mitchell *et al.*, 1997, p. 865). Similarly legitimacy is the generalized perception that a particular claim is accepted and considered proper and appropriate by the respondents within socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). Third, urgency is the extent to which a stakeholder's stake calls for an action from the firm towards their needs.

Ambler and Wilson (1995) recommend that businesses should not simply respond to each stakeholder individually in a "hub-and-spoke paradigm" or in such a "one-to-one" or just "two-way" mechanism as suggested in literature (Freeman, 1984, 2010; Donaldson and Preston 1995, Mitchell *et al.*, 1997), but in productive ways that involve everyone in identification and solving any problem affecting business and society at large. Thus, an explanation of how firms engage with stakeholders requires an analysis of the complex array of such interdependent or multiple relationships existing within the stakeholder environment. This gap in literature forms a basis for this research to identify a co-productive designing process of a business ethical and code of conduct.

### *Stakeholder engagement and buy-in of the code of conduct and ethics designing process*

Stakeholders are persons that affect or can be affected by the decisions taken by any business (Lantos, 2001). Stakeholders have a "stake" in a business; hence, they have "some" rights over the overall ethical conduct of the business, thus the buy-in quondam. This means, they are central to the success or failure of many initiatives, including having a buy-in (which is essentially embracing, endorsement and living by the promise) of codes of conduct and ethics. For a pharmaceutical company/business/industry, stakeholders are diverse (Mitton *et al.*, 2009). Selected studies have singled out agents (employees, managers, etc.); patients [Oregon experiment (Kitzhaber, 1993; Oberlander *et al.*, 2001)]; institutions that mentor/prepare pharmaceutical players like doctors, nurses etc. (Williams *et al.*, 2007; Syrett, 2002); suppliers of inputs/logistics, to regulators. However, out of all these stakeholders, employees [who are essentially direct agents of the pharmaceutical company/business] possess a unique place. The agency theory presents them as the mouth and eyes of the company (Eisenhardt, 1989). Similarly, Donaldson and Davis (1991, 1993) refer to them as stewards who propel the interests of the company. Interestingly, however, if they make decisions which are unethically reached or in violation any code of conduct/ethics, they bring adverse effects ranging from reputational loss (Fombrun, 1996) to license cancellation if not coupled with litigations and business opportunity loss (Armstrong *et al.*, 2008). To safeguard against such effects, calls for health- and social-care partnership arises. Therefore, when properly engaged, and a common priority of what to do and when to do it ("a code of conduct and ethics") is set and agreed upon by these stakeholders, Mitton and Prout (2004) observed less chances of likely interference. This would, through "Priority Setting and Resources Allocation (PSRA)" processes, act as a shield to repel unwarranted demands (say giving out/soliciting bribes, offering inappropriate information, deceptive marketing, etc.). We henceforth present a research question:

*RQ1*. What would be an ideal approach to embracing the process of creating a business code of conduct and ethics that will work and also secure stakeholder buy-in?

*Benefits of embracing business code of conduct and ethics in a pharmaceutical industry*

The 10th meeting of the UN Inter-Agency Committee on Bioethics (UNIACB) held in March 2011 at the UNESCO headquarters provided analysis of the current contentions in the medical world and attempted to provide some normative levels to perceived threats of failure to embrace ethical behaviour. This means that if ethical behaviour is observed, then these threats are no more. Scholars (Nkundabanyanga and Okwee, 2011) pointed towards governance benefits when they tried to question whether institutionalizing corporate social responsibility (CSR) actually matters. In their conceptualization, ethical issues were part of their model as advised by Carroll (1979), and more so from a governance perspective. Furthermore, when an agent acts consistently within the principal's interests, that is, by following what is spelt out in the business code of conduct and ethics, agency loss is assumed to be zero (Eisenhardt, 1989). However, if the agent's actions (based on the principal's directives) are found unethical and unbecoming by stakeholders (Lantos, 2001; Freeman *et al.*, 2010), the principal stands to suffer resultant losses (e.g. practice license is cancelled, fines, vicarious litigation, etc.). On the contrary, when an agent acts solely against the good interests of the principal, then agency loss becomes high. Lastly, managers (agents) who abide by the business code of conduct and ethics are viewed as loyal to the company and interested in achieving sustained performance (Donaldson and Davis, 1991, 1993). They are also conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority and thereby to gain recognition from industry peers. We, thus, present a research question:

*RQ2*. What are the benefits of embracing a business code of conduct and ethics in a pharmaceutical company?

## Methodology

*Selecting the case company*

The nature and purpose of this study commanded a need for an in-depth investigation into a pharmaceutical company that has made positive strides in embracing good corporate behaviour and has excelled at embracing codes of conduct and ethics. At the same time, this company should be part of a global network of businesses that respect societal values. Furthermore, the researchers found it fit to draw lessons from a company that operates in countries that seem more vulnerable to violating codes of conduct. By this, documenting how the studied company has withstood such vulnerability would send right signals about its ethical activities, hence warranting emulation and replication.

The researchers found "*Aga Khan Fund for Economic Development (AKFED)*" as fitting the set criteria. That is, AKFED is an international development agency committed to promoting entrepreneurship and building economically sound enterprises in the developing countries. Furthermore, its focus is on building enterprises in parts of the world that lack sufficient foreign direct investment. Interestingly, most of AKFED's investments are situated in 16 countries which are economically fragile. These are: Afghanistan, Bangladesh, Burkina Faso, Democratic Republic of the Congo, India, Ivory Coast, Kenya, Kyrgyz Republic, Mali, Mozambique, Pakistan, Senegal, Syria, Tajikistan, Tanzania and Uganda.

Among all these 16 countries, Uganda was identified as the most vulnerable to violating codes of conduct and high prevalence levels of unethical behaviours (especially corruption) that have a linkage with pharmaceutical business (Olupot, 2008; Transparency International, 2011). Its marketplace is characterized with counterfeit medical-related products despite efforts by National Drug Authority (NDA) to curb such dishonest activities. Worst still, Uganda has high cost of doing [pharmacological] business (Katamba *et al.*, 2014a) which makes it vulnerable to irresponsible medical and pharmaceutical transactions so as to curb these costs. Therefore, studying a company located in Uganda would build on the growing body of a need for code of good practice, stakeholder engagement and CSR knowledge which is still scanty in this country (Katamba *et al.*, 2012b). Additionally, there was limited funding for this project, so the researchers opted for Uganda, as they were familiar with its pharmaceutical business environment coupled with easier access to the required data.

We thus found that in the AKFED, KPI was located in Uganda. So we selected it to inform this study's purpose and objectives. Furthermore, we found that it had not registered any medical code violations since its operations in 1996 (Daily Monitor, 2010). Additionally, it is currently validated with a license from NDA which is a medicines licensing and monitoring/regulation body in Uganda.

*Case company profile*

Staffed with 280 employees, KPI is part of the bigger group of AKFED companies. It started operations in Uganda in 1996 with a capital of US$7m and later in 2010, added US$5m. So currently (2014), its capital used is US$12m. Its profile is summarized in Table I.

| Full-time staff: 280 | Date established | Products produced[a] | |
|---|---|---|---|
| Males (58.9%) 165<br>Females (41.1%) 115 | 25 November 1996 | Product segments | Type of product (branded medicine) |
| | | Antibiotics | Kam Amoxy |
| | | Analgesics | Kamadol |
| | | Topicals | MCG cream |
| | | Cardio vascular | Formin and Cardipac |
| | | Antiparasitic | Kam Bendazole |
| | | Cold and cough | Flucap/Flufed |
| | | others | Actizine |

**Note:** [a] KPI makes many products in those categories or segments (over 60 brands); we have, however, captured what they regard as the most known brands in each segment
**Source:** KPI records

**Table I.**
Profile of KPI

The code of conduct and ethics at KPI is a 15-page document formerly branded as: "*Producing Medicines with Integrity*". It sets forth and provides guidelines with much detail so as to avoid confusion in its interpretation, buy-in, embracement and implementation of KPI's values, principles and standards that guide the thinking and conduct of all personnel in this pharmaceutical company (see Appendix 2 for its excerpt).

*Data collection procedure*

We had two phases of data collection, which followed a four stepwise process: *Phase 1:* data collection at the case company – KPI and validation of data collected at KPI. *Phase 2:* data collection from external stakeholders of KPI and re-validation of KPI data based on data collected from external stakeholders. The whole process is detailed below.

*Data collection at the case company – KPI* Guided by dimensions of ethical conduct and stakeholder engagement observed in the literature review and using the instrument in Appendix 3, we reviewed code of conduct and ethics training records (invitation letters, minutes, training feedback and progress reports) about how AKFED and Makerere University had facilitated KPI staff for the period of five years (2008-2013). Based on Yin (2008, 2006) and Hancock and Algozzine (2006), we also later reviewed records about all KPI's key operations with keen in interest of how they had been changing in light of the trainings and facilitations received in relation to business code of conduct and ethics.

We opted for an intimate longitudinal perspective understanding, i.e. exhortations ethical approach (Mathooko, 2013) of the operations of KPI for a period of five years (2008-2013) to fit them in the realms of codes of good practice and ethical behaviour expected of a pharmaceutical business (*notably,* The International Federation of Pharmaceutical Manufacturers & Associations – IFPMA, the European Federation of Pharmaceutical Industries and Associations – EFPIA, The employee Handbook on Code of Conduct and Ethics, the Voluntary Self-regulation for the Pharmaceutical Industry and National Drug Policy and Authority –NDP/A Act, Cap. 206 of the Laws of Uganda). By this, we closely examined KPI's yearly records of "employee general encouragements" to do the right thing, or to be honest, or to be fair. These encouragements were found to have originated from the Corporate Affairs and Human Resources Office. These encouragements included: rewards to exemplary staff as promised in the KPI's Standard 3, – *Rewarding Ethical Performance*; continuous trainings in ethical issues; where staff go for guidance in case they faced challenges related to the code, etc.

Operations that attracted our attention ranged from procurement of materials, laboratory and chemical inputs in drugs manufacturing; recruitment of staff; examination of KPI's marketing activities; as well as its interaction with the wider medical stakeholders (largely medical personnel, National Drug Policy and Authority – NDP/A, Ministry of Health which has frequently contracted KPI and development health agencies, *notably* USA Agency for International Development – USAID).

On all interactions with KPI (see Appendix 3), the researchers had informal interviews with its CEO (who is the custodian for exemplary ethical level needed of the code of conduct at KPI) and the Head HR and Corporate Affairs (who is championing the embracing of the code of business conduct and ethics at KPI). We toured the organization and visiting the staff rooms and offices, and talking to the various levels of staff as well as suppliers that were accessed when they could come at the companies premises either to pick payments or deliver supplies.

The above revealed KPI's management strategies (how it recruits, remunerates staff, motivation schemes for ethics exemplary staff, etc.), material issues (transparency in sourcing, bribery, truthfulness in reporting inspections, shelf-life correct labelling, etc.) and replicable practices and gaps. After tabulating the gathered data, themes emerged as follows:

- agreement on meaning of terms;
- touches everyone, teamwork;
- no seniority;
- simple to understand; not complex;
- champion;
- consultations;
- penalty state; benefits indicated;
- endorsement; and
- vision and mission (Source: Interactions with KPI staff during business code of ethics conduct and ethics trainings).

These were consequently fitted into the broader realms of codes of good practice and ethical behaviour that the researchers had identified from literature review (particularly, "*The Employee Handbook on Code of Conduct and Ethics*" which offers a list defining and articulating such ethical actions in the medical or pharmaceutical arena, e.g. guardianship of client confidentiality, desist from spreading rumours or gossiping about other employees, etc.). There was no significant difference in the data from all sections and operations of KPI. This prompted us, based on Yin (2008), to assume that all the data held similar characteristics before a generalization could be made. Hence, the need emerged for an in-depth investigation into selected specific themes and issues of ethics and codes of conduct as they related to the study objectives.

To gain a detailed insight of how KPI embraces business code of conduct and ethics, we adopted an explanatory and reflective methodology (Yin, 2008). Given that KPI had initiated good behaviours in furtherance to pharmaceutical industry standards, this single case study methodology would contribute significantly to our in-depth understanding of codes of good practice and ethical behaviour at this company. Additionally, this method revealed the holistic and meaningful characteristics of real-life events at KPI and also provided examples of organizational development, staff performance and their contribution to bigger AKFED network. Parallel reasoning for this adopted methodology is demonstrated in Yu's (2008) study of codes of conduct at Reebok. Yu attempted to examine the social impacts of corporate codes of conduct on upholding labour standards through codes implementation at Reebok. It was found that:

> [...] the majority of existing researches are descriptive in nature, offering no well-developed analytical framework for deeper explanatory investigation of the complexity of social results of implementation of labor-related CSR policies or codes" (p. 514).

Hence, an empirical and explanatory study method was conducted just like in this study.

*Validation of data collected at Kampala Pharmaceutical Industries.* In particular, guided by McLeod (2008) and Commonwealth Association for Public Administration and Management (CAPAM) (2010), we used a combination of:

- learning history approach, wherein we collectively reflected on experiences of KPI's staff, CEO and Human Resources Manager and all other line managers since the year 2008 to 2013, through interviews (see Appendix 3). This enabled our analysis of KPI's business code of conduct and ethics progress activities/events/episodes from various perspectives to gain insights that would inform the study objectives; and
- best-practice approach (*success case study*), where particular emphasis was put on analyzing documented KPI's success stories resulting from embracing business code of conduct and ethics.

Thereafter, we used Yin's (2008) "illustrative case study" method (2008), whereby we attempted to provide a descriptive account of the main characteristics of these success stories to clarify their vision and reinforce their arguments. Having gone through all these approaches and methods, we again used Yin's (2008) "explanatory case study" method, whereby we attempted to understand explanations of why certain health-related business codes of conduct and ethical practices were undertaken, as well as their effect on the business of KPI.

*Data collection from external stakeholders of Kampala Pharmaceutical Industries.* From above, the preliminary findings from KPI were presented in a two-day stakeholder workshops/meetings at Munyonyo (an international conference centre in Kampala), facilitated by a German Government development agency, "*Deutsche Gesellschaft für Internationale Zusammenarbeit* (*GIZ*) *GmbH*", and experts in business code of conduct and ethics from Germany's "*Wittenberg Center for Global Ethics (WCGE)*". Stakeholders (wide array of participants) were required so as to co-produce a model that would be ideal: CEOs and senior managers of various of companies in and outside Uganda that have a linkage with pharmaceutical industry (Orange Uganda Ltd. – a France-based telecommunications company with operations in Uganda; K+S KALI GmbH – a Germany-based world's leading potash, magnesium and salt explorer/supplier; Kakira Sugar Ltd, etc.), KPI senior management staff, industry associations (Uganda Manufacturers Association – UMA; Sasakawa Africa Association; etc.); representatives of regional trade bodies (notably, East African Business Council, etc.); representatives from Government of Uganda, as well as from German. The theme for this workshop was: "What works well as code of business ethics and code of conduct?"

*Re-validation of Kampala Pharmaceutical Industries data based on data collected from external stakeholders.* Participant observation and focus group discussions (FGD) guided our validating (giving quality, credibility and trustworthiness) of qualitative data earlier collected from KPI. It was at this point that an ideal "design process" that this research proposes, was revealed (Figure 1). The details of what exactly was done are described (in the section below). The FGD provided and consolidated the various contexts, commonalities, similar challenges (at different companies that have a linkage with pharmaceutical industries) and the manner in which they were dealt with.

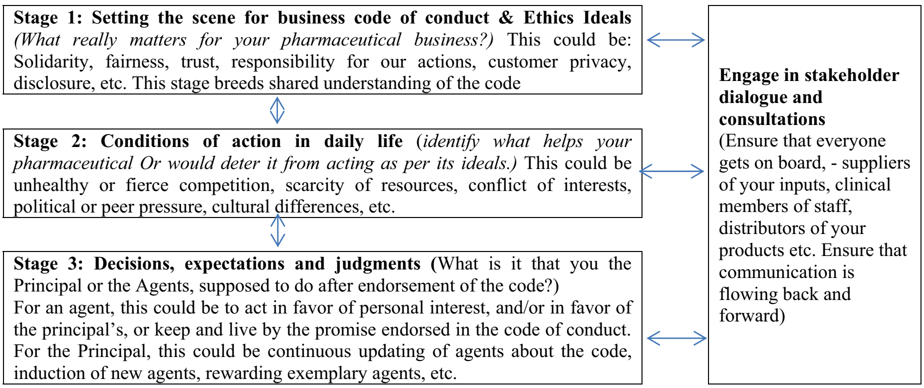
*Validity and reliability of findings*

All the data collected for this research were purely qualitative in nature. So to ensure its validity and reliability, we assembled it and subjected it to "triangulation", which is an equivalent to reliability testing in a quantitative research (Creswell, 2007). Triangulation is a set of protocols and techniques used to ensure accuracy, credibility and validity in qualitative research findings (Denzin, 1984; Stake, 2000; Creswell, 2007). Hence, first, we undertook "data source triangulation". Here, we looked at the data gathered (from training reports, progress reports, training feedback reports, interviews, observations, FGD, etc.) to remain the same in different contexts. Second, we used "methodological triangulation", wherein we used more than one method to gather data from each source (that is we undertook interviewing, observations and document review). Third, we undertook "investigator-triangulation". Here, we examined the same phenomenon independently. Last, we engaged in "theory triangulation". Here, researchers who had different viewpoints interpreting the gathered data and we were keen to extract and make use of commonalities that emerged in the results (which commonalities formed the basis of our analysis described in the "*Data Analysis*" section below). Triangulation helped us not only to validate findings and their reliability but also to understand the motivating factors behind KPI embracing business code of conduct and ethics. It also revealed the historical context within which embracing the ethical codes relating to the key operations in this pharmaceutical company, occurred.

To enhance the validity of our findings, we also utilized comments and guidance from experts in business codes of conduct and ethics from Germany's "*Wittenberg Center for Global Ethics (WCGE)*", other experts in business psychology and industry CEOs' comments from the two-day residential stakeholder workshop.

*Data analysis*

"Analysis is the interplay between researchers and data" (Strauss and Corbin, 1998, p. 13) to derive meaning. Because we gathered purely qualitative data, our analysis borrowed from seminal works of Charmaz (1983) – "Grounded Theory". He suggests that from the data gathered, "identify key points" and mark them using a series of




**Source:** Devloped from findings and from the critic of KPI's implementation process

**Figure 1.**
A proposed ideal design and implementation process to secure stakeholder buy-in of the business code of conduct and ethics

"*codes*" that are extracted from the text. Then group these codes into similar "*concepts*" so as to make the data usable. Then, from these concepts, form "*categories*" which will be the basis of creating hypothesis or theory. With respect to our research, our theory was "an ideal approach to embracing the process of creating/designing a business code of conduct and ethics that will work and also secure stakeholder buy-in". Similarly, the equivalent of hypothesis was, "the benefits of embracing a business code of conduct and ethics in a pharmaceutical company".

However, to tune our level of analysis with newer methodological debates, we used Charmaz's (1983) work as amplified and updated by scholars (Strauss and Corbin, 1990; Miles and Huberman, 1994; Creswell, 2007; Yin, 2008). Hence, our "Analysis Continuum" had three main steps:

(1) *Cross-examining the raw data*: This involved data reduction, data display and lastly drawing preliminary conclusions and verifications (see, the emerging themes see, Figure 1, and Table II).

(2) *Deriving descriptive statements and themes from the raw data* (*See, the emerging themes, see* Table II): This involved coding (identifying, naming, categorizing and describing phenomena found in the text). Codes served to summarize, synthesize and sort the many observations we made of the data so as to create some order, a view which was earlier fronted by the grounded theory. This was followed by categorization, then by abstraction (generalization) and then making comparisons.

(3) *Interpretation*: Here we draw a collection of explanations that explain the issues/themes/observations obtained from the data in as far as they related to this research (Table II, and Figure 1).

In following the "analysis continuum" highlighted above, we specifically used arrays to display the data, tabulated the findings (as shown in the emerging themes in Figure 1 and Table II), and then ordered the information as guided by Johansson (2003) and Miles and Huberman (1994). We then used Yin's (2008) "analytical strategy". That is, we used "pattern-matching" (to examine the consistency of themes/segments with literature), "explanation building" and "time series analysis" (where we drew and mapped out a pattern of events, e.g. "employee general encouragements" to do the right thing, to be honest or to be fair; consultations for clarity of certain aspects in the code; refresher trainings; etc) at KPI from 2008 to2013, leading us to develop a framework to analyze the data with.

Prior to reaching any theme, content or issue regarding KPI's progress with respect to business code of conduct and ethics to be documented, each secondary data source was independently cross-examined. Once all the necessary information was collected, the transcripts and additional information were read and re-read to gain a sense of how KPI embraces business code of conduct and ethics. Most importantly, this was meant to allow diversities to emerge. This process served to identify key issues and provide the opportunity to seek clarifications or additional information. This complete immersion in the data was followed by writing up draft case-studies about KPI, which contained facts, interpretation and links back to the literature, where necessary, and varied in style, format, length, content and structure. The transcripts of interviews with KPI staff were then revisited so as to identify issues, concepts and variables that would bring us closer to answering the research questions. Thereafter, comments, incidents and repetition were extracted by considering the words and documented actions/attitudes of respondents. For generalization purposes of our findings, we were guided by the "adaptive theory approach" Layder (1998). The main aim at this point was to produce a final case study in a format that would allow generalizations to emerge.

## Data presentation

An approach to embracing the process of creating a business code of conduct and ethics that will work and also secure stakeholder buy-in.

### *Phase 1*

Sequential leading interview questions about what KPI staff (across all management levels) thought of implementing an existing business code of conduct and ethics, during formulation of which they never participated revealed that having a code in place, and then "impose" it on the staff (internal stakeholders), is not worthwhile. That is, chances of successfully implementing and having its "buy-in" are slim. In fact, one staff remarked:

> […] that is your thing. It is you who knows where you got it from and now here you want us to follow it. I can actually deliberately look for loopholes in it and for ways of taking advantage of them. By the way, supposing I claim ignorance of the unethical interpretation of what I did, what would you do to me, or who would bear the adverse effects?! […]

Tasking KPI staff through group discussions and presentations, to describe how they would want to receive a business code of conduct which they can feel comfortable (essentially call it, "*buy-in*"), revealed these themes (see the emerging themes list see, Figure 1, and Table II).

### *Phase 2*

Stakeholder (see their profile in methodology) interactions during the workshops guided by the theme: "What works well as a code of conduct and business ethics, and how?" was preceded by a presentation of a "draft" design and implementation process that emerged out of themes from KPI. The interactions collaboratively derived and fine-tuned KPI's design and implementation process of code of conduct and ethics' based on the underlying operational principles (Table II).

Below is the presentation of six steps co-produced with the stakeholders in the workshop

*Process Step 1: clear communication and securing a common understanding of the terms.* Wider stakeholders felt that it is vital for an organization to clearly communicate any code of conduct content in a simple language which is best understood by everyone. Meanings and interpretations of ethics terms (e.g. values, morals, virtues, vices etc.) as they relate with your business operations should be spelt out. Thereafter, the concept of the business code of conduct should be introduced to staffs (who are internal stakeholders) and to other key stakeholders like suppliers and business partners.

We found that at KPI, this was done by identified competent facilitators from AKFED and Makerere University. At the end of this step, staff believed that in fact the issues of business code of conduct and ethics were simple to understand and not complex as perceived earlier. In fact, one staff commented:

[…] initially, and on receiving the codes of ethics training invitation letter, we thought this was something very strange, but now I see it is something very simple to take on. Let us see how it goes on and where we shall collectively and individually end with it […] (KPI Quality controller).

*Process Step 2: ensuring that everyone gets on board so that the code touches everyone.* The stakeholders during Phase 2 brainstormed and identified both internal and external stakeholders who had some form of relationship (stake) with the pharmaceutical business. These were: staff, suppliers, creditors, regulators, industry associations, development partners, etc. An expert from WCGE commented:

[…] The challenge for an organization is to understand the diversity of current and emerging stakeholders with respect to emerging issues in society. So engaging a variety of stakeholders in drafting and living by your code is key to its materiality.

Here, KPI had concentrated much on one type of stakeholders (its staff) when drafting its code. It issued staff with general and personalized invitation letters to participate in awareness trainings on ethics and code of conduct. Despite this effort, we found 92 per cent acceptance/consent level, with turn-up level of 97 per cent. Respectively, the 8 and 3 per cent gaps being accounted for by authorized absenteeism (e.g. sick leave, maternity, official duties, etc.). However, at end of the Phase 2 workshop, KPI accepted to re-enforce its code's buy-in by a cross-section of both internal and external stakeholder through borrowing more from National Drug Policy and Authority (NDP/A) Act, Cap. 206., Laws of Uganda.

When specifically interviewed, "What are your plans and hopes as the CEO and champion of the Codes of Ethics at KPI, to take business ethics to another level?" the KPI CEO, Mr Nazeem Mohamed replied:

[…] Firstly we would like to conduct an audit/survey to measure the impact of the code on our staff and customers. We hope that our supply chain will be influenced by our ethical behavior and lead to more efficient business models. We are now much more focused on ethics when partnering with other organizations in achieving our Corporate Social Responsibility (CSR) goals. Finally, we would like to think that many other companies will follow our example in introducing a code of ethics and of course live by it.

| Principle | Meaning |
|---|---|
| Communication | … clear communication involving listening and talking are open and effective |
| Inclusivity | … stakeholders are recognized, understood and involved. The principle of "inclusivity" empowers stakeholders with the right and opportunity to be heard |
| Integrity | … engagement is conducted in ways that foster mutual respect and trust |
| Collaboration | … stakeholders and owner-managers work together for mutually beneficial outcomes |
| Transparency | … there is a clear and agreed information and feedback process |

**Source:** Compiled from interactions with stakeholders at Munyonyo

**Table II.** Principles for a possible successful implementation of a business code of conduct and ethics

*Process Step 3: identify a champion/s for the code.*

> […] all staff of the organization cannot be with the same organizational memory as well as the same decision making power. So a need to offer some guidance to peers is needed if the code is to be implemented effectively," commented Head of Corporate Affairs, Orange Uganda Ltd.

> […] As Uganda Manufacturers Association (UMA), we instituted a staff in charge of Training and membership coordination. One of his roles is to ensure that members are constantly reminded of their ethical obligations (CEO, UMA).

On this process attribute, KPI had performed fairly well. That is, despite having a mix of staff (bottom-line managers, frontline, middles, aged vs growing staff, newly employed vs long serving staff, etc.), the HR /Corporate Affairs Manager invited in writing and selected some members from each department to become peer advisors to the rest of the employees. KPI's accessed documents revealed that a committee of volunteers, headed by the CEO, was constituted and given more exposure on the need to develop and sustain integrity in KPI.

*Process Step 4: detailing the business code of conduct and ethics.* The relationship between corporate image and character to business should be explicitly outlined and in as much detail as possible to aide clarity. For example: effect of peoples' actions on company identity, activities that amount to un/ethical performance (that is, where going beyond the code is deemed punishable/undesirable was stated). Similarly, the benefits for adherence and guidelines for handling human judgement might be included. An expert from WCGE commented:

> […] This enhances Integrity and collaborative working which are critical aspects of a trusted code of conduct and ethics. In fact it also allows expertise eye [E.g., legal, medical expertise[sic], HR expertise[sic], etc.] to detect error in your activities. You may need to co-opt relevant experts to guide you. Rarely[sic] will in-house competency[sic] be enough on this!

Cross examining this with KPI revealed that details of the code were drafted at KPI with the aide of AKFED and Makerere University experts. Regarding internal competency utilization, records (especially minutes and attendance sheets) showed active participation of selected members of staff in proposing detailed to be included in the code.

*Process Step 5: endorsement [initial "buy-in"]* This is where KPI "agents" had to verify, ascent and assume ownership and belonging to the business code conduct and ethics drafted. Simply call it, *initial* "*buy-in*". This endorsement was twofold. That is, endorsement on the side of "agents" that is staff, managers, etc., as individuals flag bearers and owners of the code and ownership of the code by the "Principal" (KPI). The principal was represented by the CEO, Mr Nazeem Mohamed (Appendix 1 for the sample endorsement).

*Process Step 6: communication of the code and monitoring its progress*

The Assistant to the General Manager, Kakira Sugar Ltd., observed:

> Any code of conduct and ethics that is not reported on is doubtable and may not live to its dream. Reporting and communicating on progress shows transparency about what you promise to live by. So there must be a clear and agreed information and feedback process.

The records of KPI showed a certain degree of "transparency and accountability" about their code of ethics and conduct. In fact the "CEO" and "Head HR and Corporate Affairs" mentioned that this was equally important to the sustainability of their code just like all the other stages regardless of its coming last.

> […] Ensuring that all their concerned stakeholders get a copy as well as feedback on the progress of observing and implementing our code, in an acceptable and easily accessible mode is key to our realization and total buy-in. This is because having a copy serves as a quick reference point. We have tried to achieve this through:

- Making several copies of the final approved code produced and issued to each department.
- Giving each employee/agent a summarized version of the code.
- Several copies of core values made in ABS and displayed in all departments.
- Media invited during the official launch of the code; and also during reviews.

Preciously when interviewed: "What have been the noticeable changes in behaviours of staff at KPI as well as business of KPI as a result of introducing and reporting on your code of ethics? The CEO replied:

> […] We see much greater commitment from our staff. There is more openness to discuss issues/problems rather than trying to hide problems and there has been an improved use of personal protective equipment. E.g. masks, gloves, boots, etc. as prescribed in our code of conduct (Mr Nazeem Mohamed).

*Benefits of embracing a business code of conduct and ethics in a pharmaceutical company*

To investigate "benefits of embracing a business code of conduct and ethics", we specifically investigated what KPI [or a pharmaceutical industry player and/or its agents], would positively realize and gain when it commits, accepts, approves and lives by what the agent/company [in this case, a pharmaceutical] had agreed on. Qualitative feedback revealed that:

> […] Having a code in place leveraged KPI and has made it an industry benchmark when it comes to ethical practices. In fact, embracing a business code of conduct and ethics set us apart as an example before business partners. In turn, it has shielded us from attempts to derail into unacceptable practice/s and its/their consequences […], remarked the CEO of KPI.

> […] We also found that living by a business code of conduct and ethics exposes you across national borders as a responsible business player and sets a pace and negotiation ground for newer business partnerships and cooperation (Country Representative, K+S KALI GmbH).

> […] with their commitment to responsible business, Ugandan companies set an important sign, provide orientation to their partners [stakeholders] and can build trust way beyond the national borders […] (Prof Horst Köhler).

The KPI's Head HR and Corporate Affairs remarked:

> […] Businesses based on ethics "make good business sense". In fact a code of ethics is critical to keep employees/public [stakeholders] within certain boundaries in terms of organizational behavior. It instills "good business behavior" in employees/suppliers/customers, [stakeholders] "enhances the quality of services/products," and surely builds a "competitive advantage" based on trust […]"

During Phase 2 interaction, stakeholders mentioned that in a highly regulated pharmaceutical business, the code of conduct and ethics is a guiding pillar upon which other bonds pivotal, strengthens and exemplifies organizational values, clears myths on what to do or not and provides a common sense of business direction:

> [...] The business code of conduct and ethics is a bond that keeps us united against and/or for one front. It makes us feel as one in a company. It also keeps us guided on what we should and should not do (HR Manager, UGACOF Uganda).

> [...] In fact since we signed it, and promised to live by it, our work and professional life has changed positively. We can now stand to think twice when challenged with accepting or giving bribes, or giving/receive a favor (Head HR and Corporate Affairs, KPI).

Formerly, we were challenged with negotiating drugs/syrup supplies and chemical inputs where suppliers/customers could offer us or promise "un authorized benefits" but with the code in place, the air cleared and making a decision is swift and well guided [...], summarized from staff feedback and comments on the ethics training and update on the progress of implementing the code at KPI.

## Discussion of findings

*An ideal approach to embracing the process of creating a business code of conduct and ethics that will work and also secure stakeholder buy-in*

The co-produced six steps process – presented in the findings sections – reflects two major aspects that collectively make it an ideal process: active stakeholder involvement and inclusivity and non-linearity.

*Active stakeholder involvement and inclusivity.* This makes the firm more accountable and responsible to stakeholders (Evan and Freeman, 2003). Stakeholders' involvement (Freeman, 2010) in the designing process represents the operational principle of "inclusivity". Inclusivity in the model gives stakeholders the right to be heard. Participation and involvement for wider stakeholders is voluntary, and stakeholders give explicit consent to be involved; thus, the framework enhances stakeholder fairness and consent (Van-Buren III, 2001; Fassin, 2008). Where stakeholder involvement is neglected, findings indicated that issues of intentionally violating the codes may suffice under the disguise of:

> [...] I did not know it was unethical and in fact wrong to do this (KPI Staff).

This behaviour is typical "intentional interference" (Mitton and Prout, 2004). Additionally, this finding justifies why most codes in the pharmaceutical industry are violated. That is, violation is not because they are not known to the pharmaceuticals companies or their agents/stakeholders (suppliers, staff, managers, distributors, etc.), but simply because of the need to deliberately look for and exploit loopholes.

In case the pharmaceutical organization recruits new stakeholders, say buyers, suppliers, etc. who find the codes already in place, their "buy-in" can be secured by undertaking collaborative working inform of "induction trainings" in codes of conduct and ethics' before such an agent is fully absorbed in any of the pharmaceutical's operations. If codes have been existing, the agents were not aware, thus revising and re-introducing them with a consultative approach may yield a very favourable result. This is because operationalizing these codes affects people and retrospectively, people affect them. So their effective engagement makes them feel part of the code itself and so they can live by it, a view with supports from the works of Lantos (2001) and Nkiko (2009). This is also supported with remarks from the WCGE expert who indicated that collaborating with stakeholders enhances the integrity of the code developed:

> […] This enhances Integrity and collaborative working which are critical aspects of a trusted code of conduct and ethics. In fact it also allows expertise eye [E.g., legal, medical expertise[sic], HR expertise[sic], etc.] to detect error in your activities, said one of the ethics expert from WCGE.

*Non-linearity.* The ideal process to come up with, embrace and implement (live by) the code of conduct in pharmaceutical industry is not linear. That is, the process steps identified from "Phase 1" and re-enforced by findings in "Phase 2" appear to follow each another. However, collaborating with multiple stakeholders makes the process assume a "curve-linear expression". This is due to the backward and forward consultations, reviews and interactions with these multiple stakeholders of the pharmaceutical industry (Williams *et al.*, 2007). Therefore, to realize the value of non-linearity, pharmaceutical companies need to understand:

- The social complexity within a particular stakeholder group.
- The different needs, interests and expectations of sub-groups within a stakeholder group.
- To collaborate with these sub-groups without showing preferential treatment based on their attributes/capacities as this offers new possibilities in firm-stakeholder relations. Furthermore, some of these sub-groups might not be powerful or have legitimate or urgent claims (Mitchell *et al.*, 1997). The sub-groups might be the "poor", "weak", "isolated" or "disinterested" groups defined as fringe stakeholders by Hart and Sharma (2004, p. 10).
- If we were to apply indiscriminately the stakeholder salience attributes, for example, in stakeholder identification, these fringe stakeholders might be ignored by the pharmaceutical companies who want to "manage" the powerful and legitimate stakeholders (a reactive approach). However, the fringe stakeholders might be of value to those managers who seek to build lasting stakeholder relationships and a competitive advantage of the firm (a proactive approach) (Hart and Sharma, 2004).

The two major aspects (active stakeholder involvement and inclusivity and, non-linearity) amplify works of Lantos (2001), Mitton *et al.* (2009), Williams *et al.* (2007), Freeman (1984, 2010), Donaldson and Preston (1995) and Mitchell *et al.* (1997) that consideration of multiple stakeholders (as opposed to managing one type of stakeholders – which was staff in the case of KPI) is key in influencing the direction (success or failure) of the code of conduct and ethics. They should be well managed/consulted, otherwise embracing the code will be constrained, and resultantly hamper the implementation.

Therefore, when the foregoing discussion about the two major aspects is embedded into the six-process stage in the findings section, and benchmarked against the four theoretical underpinnings that guided this research [*Agency theory* – Eisenhardt (1989); *Stewardship theory* – Donaldson and Davis (1991, 1993); *Decision making theory* – Pérez López (1991); and *Stakeholder theory* – Lantos (2001) and Freeman, 1998], the code of conduct and ethics design process reduces from six to three inter-related back and forth stages (Figure 1), which we propose as essentially "an ideal design process for pharmaceutical players".

*Benefits of embracing a business code of conduct and ethics in a pharmaceutical company*

*Shield against effects of business misconduct.* Given the increasing sensitivity of the pharmaceutical business worldwide, a business code of conduct and ethics, when embraced, shields the pharmaceutical players [and their stakeholders/agents] against negativities like lost reputation (Fombrun, 1996), litigations, business scandals, etc. In fact, it helps to provide a compass and guidance against ethical dilemmas (Mathooko, 2013). This was evident from the CEO of KPI, who indicated that:

> […] We have spent a lot of time and effort discussing case studies of ethical dilemmas with our staff throughout the organization. This guided by our code has led to several benefits. Everyone in the organization is much more aware of the importance of being ethical and this has led to a reduction in theft and self-medication. The quality of our products has increased.

*Enhances stakeholder relationships and enriches competitive advantage.* We also found that it opens boundaries for sustainable business as opposed to aiming for a one-off [business] transaction engineered by, say, bribes. Pharmaceutical stakeholder [governments, development agencies, customers, suppliers, agents, etc.] are willing to do repetitive business with ethical players. This is supported by Prof Horst Köhler (former German Chancellor), who, during Phase 2, indicated that:

> […] Embracing and living by promise in the code of business and ethics [by one player] is an important signal to stakeholders and serves as an example to others.

Also from the CEO of KPI, who mentioned that, "Our customers have greater trust on KPI and our products", we see that embracing the code improves cooperation with various stakeholders. A similar view was tendered by Prof Horst Köhler, who mentioned that, "[implementing a code of conduct] […] can build trust way beyond the national borders and initiate new cooperation [markets] […]". Therefore, borrowing from Porter and Kramer (2006, 2002), we regard this as hidden competitiveness that we think pharmaceuticals should not miss to tap into. Additionally, if a pharmaceutical company implements [after designing] a code of conduct effectively, it indirectly benefits from a triple bottom line approach production because they can be able to dispel activities that increase the cost of doing business (Brereton, 2002), like, offering bribes to effect drug sales etc.

*Improved communication and stakeholder engagement.* The restricted nature of marketing operations of pharmaceutical firms pressurizes them to ensure a continued societal license to operate (Kagan *et al.*, 2003). Therefore, reports on what has been done right at pharmaceutical company X or what has not be done because it was a wrong thing to do, communicates a message to stakeholders and thus building a castle of trust, legitimacy and credibility of corporations with stakeholder groups (Sethi, 2002). This is further supported with views of the HR Manager at UGACOF who mentioned that, "[…] The code of conduct and ethics is a bond that keeps us united against and/or for one front. […] It also keeps us guided on what we should and should not do".

*Minimize unnecessary interventions by pharmaceutical industry legislators.* From the managerial theoretical perspective, a co-produced code of conduct in pharmaceutical firms makes the mitigation of risks or threats easier as already identified from other industries (Lenox and Nash, 2003). Participants in this study identified codes of conduct implementation within KPI as a good tool to abide to national and international legislations, hence avoiding interventions from NDA and BMA, and reducing negative public [wide stakeholders'] attention.

## Conclusion

Literature mentions that stakeholders can gauge a pharmaceutical industry player's level of integrity by checking whether such a player has in place a "*self-regulation* [code of business conduct and ethics]" mechanism and lives by it amidst escalating inducements (bribes, corruption, misrepresentations, dishonesty, etc.). Interestingly though, this current research revealed that the process through which such a code is designed, is a sensitive and pretty a complex issue. It should be well managed if stakeholders are to embrace and live by the promise spelt in it. To this tune, this study discovered six steps co-produced with stakeholders to come up with such a code of ethics and conduct which is much likely to be embraced by stakeholders. That is:

- *Step 1:* Clear communication and securing a common understanding of the terms used in the code.
- *Step 2:* Ensuring that everyone gets on board so that the code touches everyone.
- *Step 3:* Identify a champion/s for the code.
- *Step 4:* Detailing the business code of conduct and ethics to guard against any misinterpretation.
- *Step 5:* Endorsement [initial 'buy-in'].
- *Step 6:* Communication of the code and monitoring its progress.

Systematically following these steps reveals two important aspects: active stakeholder engagement and inclusivity and non-linearity, i.e. making backward and forward consultations, reviews and interactions with these multiple stakeholders of the pharmaceutical industry. When these six steps together with the two revealed aspects above, were matched against ethical and responsible business literature, three stages emerged:

- *Stage 1:* Setting the scene for business code of conduct and ethics.
- *Stage 2:* Conditions of action in daily life.
- *Stage 3:* Decisions, expectations and judgements.

All these were pivotal to, "Engage in stakeholder dialogue and consultations". Therefore, it is these three steps and their pivot when fully embraced in a pharmaceutical company, which the authors of this research claim to be:

> […] an ideal approach to embracing the process of creating a business code of conduct and ethics that will work and also secure stakeholder buy-in.

Due to increasing sensitivity of the pharmaceutical business worldwide, the business code of conduct and ethics design process we suggested, when embraced, shield the pharmaceutical players [and their stakeholders/agents] against negativities, like lost reputation, helps attain competitive advantage and also strengthen stakeholder relations in this highly regulated industry. Lastly, this research has evidenced that embracing business codes of conduct and ethics allows developing common positions on critical pharmaceutical topics that are of importance for the whole industry whether at local, regional or global scale, hence minimizing unnecessary interventions by pharmaceutical industry legislators.

## Recommendations

Given the pharmaceutical world's numerous regulations, a breach of which carries adverse effects, pharmaceutical companies/players should endeavour to have in place "company-level" codes of conduct and ethics. These are indeed prerequisites to meeting the national-/international-level codes. Additionally, we recommend motivating and rewarding stakeholders that have demonstrate an exemplary life in living by the promise of the codes. Lastly, to tap into the many benefits enshrined in embracing a business code of conduct, we recommend that stakeholder dialogue should be welcomed by pharmaceutical companies. Otherwise, their efforts to simply hire experts or to institute business codes of conduct and ethics may be wasted as they will be welcomed by rebellion/resistance.

## Limitations and directions for further research

This research was informed by a company with a local/national border reach. We recommend that similar or related study is undertaken using a multinational. We also centred on a "process" to come up with a working a code. Research efforts into essentials of what a business code of conduct and ethics should include can be undertaken.

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## Appendix 1. Preface of the code of conduct at KPI[a]

**Preface**

**Message from the Chief Executive Officer**

It is a proud moment in our history as we launch this Code of Ethics, which I know in the long term will give us a competitive advantage in the market place and also make KPI a more attractive place to work; the code titled **Producing Medicines with Integrity** is indicative of KPI's commitment to the community to produce affordable quality medicines with integrity and professionalism.

The inception, formulation and drafting of this Code of Ethics has involved members of the KPI team from all different departments irrespective of their grades or seniority. Therefore, this is our code, this is our achievement.

I hope the Code of Ethics will be inspirational to all our staff and also to our customers as we work together not only to reduce the burden of diseases to our people in the East African Region, but to inculcate good business behaviour to all our stake holders.

I urge you all to work as a team in order to make the implementation of this a Code of Ethics a success story.

Finally, I would like to thank the professional staff at Makerere Centre for Applied Ethics (MACAE) and the entire staff of KPI for all their valuable input, for without their commitment and hard work this code would not have been developed.

I look forward to working with you all as a team and organization identified with integrity

Thank You

*Nazeem Mohamed*
**Chief Executive Officer**

1

**Producing Medicines with integrity: Code of Ethics of Kampala Pharmaceutical Industries (1996) Ltd, January, 2010**

**Notes:** [a]This preface provides a summarized picture of the steps aforesaid about KPI in coming up with a business code of conduct and ethics. Appendix is reproduced with consent of KPI

## Appendix 2. KPI's code of conduct and ethics

(1) Its starts with a *preamble/preface* which is signed off by the CEO as a sign of top management buy-in, commitment, embracement and support (Appendix I).

(2) Thereafter, is the "Introduction" which enlightens and details to the staff of what KPI stands for (i.e. "Ethical Principles or Values" – *Professionalism, Integrity, Transparency, & Teamwork).* A lot of detail is provided for each of these, but these are some of excerpts: *Professionalism – Ethical Principle 1:* KPI personnel will practise within their areas of competence and develop and enhance their professional expertise, achieving results through serving with excellence, diligence, objectivity and impartiality; *Integrity – Ethical Principle 2:* KPI and its personnel will act at all times in such a way that upholds public trust. They will demonstrate respect, fairness, justice and courtesy in their dealings both with members of the public and their colleagues. *Transparency – Ethical Principle 3: KPI* and its personnel will be committed to earning the trust of the community by providing the public with all appropriate information as to its mission, policies, products and activities – promptly and with courtesy. KPI personnel will be accountable to the public for their decisions and actions, and must submit themselves to whatever scrutiny is appropriate to their office. *Team Work – Ethical Principle 4:* KPI personnel will support and depend upon each other to achieve the mandate of the Industry.

(3) Proceeding the above, are the four standards spelling out both enforceable and aspirational guidelines for KPI's staff's conduct. That is, under these, the code [15-page document] specifies and mentions that the extent to which each standard is enforceable or aspirational, is a matter of professional judgement by those responsible for reviewing alleged violations of ethical standards. The four standards are:

- KPI and its personnel's ethical responsibilities to members of the public served. This covers: commitment to public served; competence; cultural competency and social diversity; conflict of interests; privacy and confidentiality; access to records; sexual harassment; and derogatory language.
- KPI personnel's ethical responsibilities to colleagues within the company and to the pharmaceutical industry. This covers: respect; confidentiality; disputes involving colleagues; consultation; impairment or competence of colleagues; unethical conduct of colleagues; commitments to KPI; labour-management disputes; and acknowledging credit
- KPI's ethical responsibilities to its own personnel. This covers: respectful and diverse work place; equal opportunity; responsiveness to personnel; healthy work place; and rewarding ethical performance.
- KPI and its personnel's ethical responsibilities to address alleged violations of ethical standards. This covers: orientation to service; private conduct; dishonesty, fraud, and deception; misrepresentation; objectivity; publications and interviews; and political neutrality

## Appendix 3. Data collection instrument(s)

Document review (of invitation letters, minutes, training feedback and progress reports):

(1) What training procedure was used and which material/content was delivered to the trainees (staff)?

(2) How was the concept of ethics/ethical code of conduct introduced to the trainees?

(3) How were KPI's "Ethical Principles or Values" (*professionalism, integrity, transparency and teamwork*) derived?

(4) What guidelines were followed in identifying and agreeing on the details of the code of conduct?

Observations of changes in key operations in light of the trainings and facilitations received:

(5) For the managers:
   - What have you benefited from embracing a business code of conduct and ethics at KPI?
   - What have been the noticeable changes in the behaviours of staff at KPI and in the general business of KPI as a result of introducing a code of ethics?
   - How have you secured your staff's buy-in of the code?

(6) For the staff:
   - What have been benefits of embracing a business code of conduct and ethics at KPI?

Observations when touring KPI, and interactions with CEO and Head HR and Corporate Affairs:

(7) To what extent does the staff of KPI leave by the promise spelt out in the KPI code, as well as with other nationally and/or globally acceptable pharmaceutical industry codes of practice?

(8) How are staffs motivated to ensure they live by the promise spelt out in the code?

During stakeholder workshops at Munyonyo: Theme of workshop, "What works well as code of business ethics and code of conduct?"

(9) Regardless of whether you have a code in place or not, what procedure would be ideal to introduce the idea of code of conduct and business ethic to your stakeholders (internal and external)?

(10) What would be the right content for this code and how should general consensus on the terms used be built?

(11) What guidelines were followed in identifying and agreeing on the details of the code of conduct?

(12) For those who have codes at your workplace, how was the concept of ethics/ethical code of conduct introduced to your staff, and how have you secured their buy-in?

(13) What are the noticeable benefits of living by the codes of conduct and ethics?

(14) What are some of the "ethical principles or values" that have made you exemplary and how did u derive them?

(15) How do you motivate your staff to ensure they live by the promise spelt out in the code?

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