

DOUBLE MASTER'S DEGREE IN INTERNATIONAL  
ECONOMICS AND COMMERCE & BUSINESS MANAGEMENT

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**The Impact of CSR Practices on the  
Financial Performance of SMEs: Case  
of Wörwag Pharma**

**L'Impatto Delle Pratiche di RSI Sulla  
Performance Finanziaria delle PMI: Il  
Caso di Wörwag Pharma**

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## **ABSTRACT**

The purpose of this study was to determine how well Corporate Social Responsibility practices are being incorporated in business operations by small and medium enterprises, and specifically through the case study of Worwag Pharma, as well as to evaluate the impact that these activities can have on the performance of such companies.

The objective of this research was to analyze the status quo, benchmark with a similar company and provide recommendations related to corporate social responsibility to help improve Worwag Pharma's incorporation of such activities into its business strategies, and facilitate the implementation within the company. The report is divided into three parts; the first one is devoted to explain the background of the concepts discussed in my project. The second one provide a glimpse into what the company and the pharmaceutical industry are. The last chapter depicts the methodology used, the main findings, and the set of recommendations.

**Keywords:** Corporate Social Responsibility, EU Pharmaceutical, B2C Marketing, SMEs

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# TABLE OF CONTENTS

1.	<b>Introduction</b> .....	1
2.	<b>Conceptual Framework</b> .....	3
	2.1. Corporate Social Responsibility.....	3
	2.2. Trends in CSR.....	3
	2.3. CSR Strategies.....	6
	2.4. Why do Companies Engage in CSR.....	7
	2.5. Beneficial Impacts of CSR for Companies.....	8
	2.6. Corporate Social Responsibilities Principles.....	13
	2.7. Small and Medium Enterprises.....	14
	2.8. CSR in the Context of SMEs.....	17
	2.9. CSR Engagement.....	19
	2.10. Challenges Faced by SMEs.....	21
3.	<b>Company &amp; Industry Presentation</b> .....	22
	3.1. Worwag Pharma Presentation.....	22
	3.2. Company's Values.....	22
	3.3. Company's Mission.....	23
	3.4. EU Pharmaceutical Market.....	24
	3.5. CSR in the Pharmaceutical industry.....	27
	3.6. Germany's Pharmaceutical Market.....	30
	3.6.1. Germany's Pharmaceutical Market in Numbers.....	30
	3.7. Germany's SMEs.....	33

3.8.	Performance Capabilities of SMEs in Germany.....	34
3.9.	Financing Ways of SMEs in Germany.....	35
4.	<b>Approach &amp; Methodology</b> .....	36
4.1.	Research Methodology Adopted.....	37
5.	<b>Data Collection &amp; Analysis</b> .....	38
5.1.	Interviews & Results.....	38
5.2.	Case Study of Worwag Pharma.....	43
5.3.	Benchmark with other Medium-sized Pharmaceuticals.....	50
6.	<b>Limitations</b> .....	55
7.	<b>Recommendations &amp; Conclusion</b> .....	57
7.1.	Recommendations.....	57
7.2.	Conclusion.....	60
	References.....	63
	Appendix.....	67

## List of Figures & Tables

<b>Figure 1:</b> Responsive vs. Strategic CSR.....	12
<b>Figure 2:</b> CSR Impact Model.....	19
<b>Figure 3:</b> Pyramid of CSR Engagement.....	25
<b>Figure 4:</b> Pharmaceutical Industry Revenues in Germany.....	38
<b>Figure 5:</b> Drug Sales in the German Pharmacy Industry.....	38
<b>Table 1:</b> Comparison of SMEs and Large Firms.....	22
<b>Table 2:</b> Qualitative Sample Description.....	45
<b>Table 3:</b> CSR Engagement Areas & Worwag Pharma.....	50

## **EXECUTIVE SUMMARY**

The pharmaceutical industry is increasingly recognizing the significance of corporate social responsibility (CSR) practices. Just as in other sectors, there are opportunities for small and medium enterprises to strategically incorporate CSR initiatives to gain a competitive edge.

While the pharmaceutical industry may have been slower in adopting CSR compared to other sectors, it faces its own unique challenges. However, these challenges have spurred the industry to explore new dynamics through CSR practices.

This research aims to conduct an analysis of CSR implementation within SMEs, specifically the pharmaceutical industry, to assess and evaluate the impact of such practices on the performance of these companies. The study employs a qualitative approach, involving interviews with internal employees of the medium-sized German company Worwag Pharma, to gather valuable insights.

The research seeks to analyse and understand the impact of CSR initiatives on SMEs and how the implementation of these activities into the business strategy and day-to-day business operations of companies can affect overall performance

## **1. INTRODUCTION:**

The quest for economic and social development that takes into account the planet's carrying capacity has led the international community to set ambitious environmental targets (e.g., reducing global greenhouse gas emissions by a factor of 2), as well as social goals (e.g., the Millennium Development Goals, fight against poverty). In this context, the international institutions in charge of sustainable development are increasingly and directly calling on companies through corporate social responsibility, changes in consumption and production patterns, and the development of the green economy. The balance between civil society, business, and government is being challenged and transformed, therefore we notice the constant change in the global economic scene over the past few decades. Particular emphasis has been placed on the social responsibility and commitment incorporated into companies' missions and behaviors. Firms have been demonstrating willingness to be more socially responsible following new government regulations and efforts made by other societal institutions. Not only due to that, but also since this behavior may have direct and indirect results on their performance. Several scholars have been drawn to the notion of Corporate Social Responsibility (CSR) during the last few decades, and its significance is growing. A firm has duties to the community that go beyond the earnings of its owners. Businesses of all sizes and types should strive to be ecologically sustainable, economically competitive, and socially responsible (Orlitzky et al., 2011). The modern corporate landscape has moved beyond the exclusive pursuit of profit to include a larger duty toward society, the environment, and ethical behavior. This evolution gave rise to the concept of Corporate Social Responsibility (CSR), which incorporates the idea that corporations must be active contributors to the welfare of the communities in which they operate, as well as stewards of the environment in which they flourish. CSR is no more an afterthought to corporate strategy;

it is essential to defining company brand, building stakeholder connections, and achieving total economic success. Despite their limited resources and frequently restricted markets, small and medium-sized enterprises (SMEs) play a critical role in driving economic development, innovation, and job creation. SMEs are increasingly being acknowledged as critical contributors to sustainable development as the backbone of many economies. The alignment of CSR principles with the goals of SMEs has the potential to benefit not just businesses but also communities and the environment. However, SMEs have unique hurdles in incorporating CSR principles into their operations. They frequently operate with limited financial resources, constricted management capacity, and heightened sensitivity to market dynamics, as opposed to huge enterprises. While CSR initiatives carry the potential of improving social impact and ethical standing, they must be carefully considered in terms of economic viability and consistency with key corporate goals. Understanding how CSR practices connect with SMEs' financial success is thus not merely a theoretical investigation, but also a real necessity for firms working at the core of economies. The European Union (EU) is emerging as a significant driver of CSR rules and legislation as the worldwide push for responsible corporate behaviour grows. The EU's dedication to sustainability, environmental preservation, and ethical business practices pervades its regulations, impacting corporate expectations and behaviors throughout its member states. As a result, the EU pharmaceutical business provides as an example of the complicated interplay between CSR and financial success, with its combination of scientific rigor, ethical concerns, and regulatory compliance.

## **2. CONCEPTUAL FRAMEWORK: Corporate Social Responsibility and Small and Medium-Sized Enterprises:**

### **2.1. Corporate Social Responsibility:**

Corporate Social Responsibility (CSR) encompasses a dedicated pledge to enhance the welfare of communities by means of voluntary commercial methodologies and provisions of corporate assets (Kotler & Lee, 2005). The authors underscore the pivotal term, namely, "discretionary," and underscore the comprehensive nature of "community well-being," which encapsulates both the human context and ecological considerations (Kotler & Lee, 2005). In accordance with the European Union Commission, Corporate Social Responsibility (CSR) is described as a conceptual framework wherein enterprises take into consideration both societal and ecological concerns into their operations and interactions with stakeholders, (European Union Commission, 2008). Furthermore, the World Business Council for Sustainable Development (WBCSD) avoided explicit reference to voluntariness, claiming CSR to be the enduring commitment of businesses to augment economic advancement concurrently with enhancing the standard of living for employees and their families, as well as for the broader community and society (Flaherty, M. 1998). Another simple but broad description of CSR is that it's businesses doing things that make work better and help society more than what the law makes them do (Vogel, D. 2006).

### **2.2. Trends in CSR:**

CSR and sustainability are important for businesses today. They involve how companies manage their impact on the environment, society, and how they run their operations. But these ideas are always changing because of what consumers want, rules from governments, new technology, and global challenges.

- **Stakeholder-Oriented Business Model:**

A big change in CSR and sustainability is how companies think about who they are responsible to. It used to be mostly about the people who own or invest in the company. Now, it's also about the employees, customers, suppliers, communities, and the environment. This new way of thinking means companies have to look at the bigger picture and think long-term. They also have to be more open and work with different groups, even if they have different goals.

- **ESG Reporting & Disclosure:**

Another trend in CSR and sustainability is the increasing demand for ESG reporting and disclosure. ESG reporting refers to the process of measuring and communicating the non-financial impacts and risks of a company's operations, such as its carbon footprint, human rights record, or diversity policies. ESG disclosure refers to the voluntary or mandatory publication of ESG information to external stakeholders, such as regulators, investors, or customers. ESG reporting and disclosure can help companies improve their reputation, attract capital, reduce costs, and manage risks. However, they also pose challenges, such as the lack of standardization, verification, and comparability of ESG data and frameworks.

- **Circular Economy & Green Innovation:**

Another important trend in CSR and sustainability is the move towards circular economy and green innovation. Circular economy is all about reducing waste and pollution, reusing materials, and taking care of nature. Green innovation means coming up with new ideas and products that are good for the environment or society. These trends can make companies more competitive, make customers happier, and help with following environmental rules. But they also mean companies have to change how they do business, from how they make things to how they work together.

- **Social Justice & Inclusion:**

Another big trend in CSR and sustainability is that more people are thinking about and doing something about fairness and including everyone. This means making sure everyone is treated the same, no matter who they are. It's not just about being nice, it can also help companies have more different kinds of people working for them, make customers happier, and have a good reputation. But it also means companies have to look at how they do things and make changes to be fair and inclusive.

- **Digital Transformation & Ethics:**

Another important trend in CSR and sustainability is how technology and being ethical in the digital world affect companies and society. Technology like artificial intelligence and blockchain is changing how businesses work and how we interact with them. Being ethical in this digital world means using technology in a way that respects people's privacy, keeps information safe, and does what's right. This can help companies be more efficient and create new ways to do good things for society. But it also means they have to be careful not to do things that could hurt people or the environment.

- **Global Collaboration:**

Another big trend in CSR and sustainability is that companies have to work together with others, like governments and non-profit groups, to solve really big problems that affect the whole world. This means companies need to share what they know and work together to find solutions for things like climate change, poverty, and human rights. It's like teamwork on a global scale. It can help companies use their knowledge and power to do good things for everyone. But it's not always easy because different groups may have different ideas and goals, and companies have to figure out how to balance their responsibilities to the whole world with their responsibilities in their own communities.

### 2.3. CSR Strategies:

In an effort to align with society's expectations, companies frequently have varying objectives when crafting and executing a CSR strategy. We can categorize these objectives into two distinct approaches: responsive CSR and strategic CSR. Responsive CSR focuses on mitigating risks and meeting stakeholder expectations, while strategic CSR is more proactive, aiming to both reduce negative impacts and enhance positive social and environmental contributions (Porter & Kramer, 2006). The following figure illustrates the differences between responsive and strategic CSR.

<b>Responsive CSR</b>	<b>Strategic CSR</b>
Often recognized as “greenwashing”	Finding a unique approach through reduction of costs or meeting customer needs
Taking into consideration stakeholder expectations	Win-win situation for both the company and society
Avoiding any harm by the company	

**Figure 1:** Responsive vs Strategic CSR (Porter & Kramer, 2006)

It's important to recognize that there are two distinct styles of CSR, and they differ significantly in their motivation and impact:

**Responsive and Defensive CSR:** This style is primarily motivated by the need to reduce potential risks and meet stakeholder expectations. It's a defensive approach, often adopted to avoid negative consequences. Companies following this path may get a "green" or "socially responsible" label, but it's sometimes criticized as merely greenwashing.

**Strategic and Integrated CSR:** In contrast, this style involves a proactive effort to reduce negative impacts and increase positive ones. It's deeply integrated into the company's strategy and identity. The goal here is not just to meet expectations but to excel in social and environmental responsibility. Companies often fall somewhere along a spectrum between

these two approaches, with the aim of moving towards a more strategic CSR. Furthermore, some may prioritize environmental aspects, like reducing pollution or resource use, while others may focus more on social aspects, such as job training and community programs. The choice depends on a company's unique goals and circumstances

#### **2.4. Why do Companies Engage in CSR:**

Kotler and Lee (2005) highlight that companies engage in CSR for several important reasons. It's not just about looking good; it's about making a positive impact and ensuring long-term success. Many experts argue that companies practicing CSR can experience benefits such as increased sales, a larger market share, a stronger brand reputation, and enhanced image and influence. Moreover, engaged employees tend to be more motivated and proud to be part of a socially responsible company. CSR can also lead to cost savings and attract more interest from socially-aware investors.

Many companies for instance, believe that being a responsible corporate citizen can bring an added value. They see it as a way to improve their brand's image and reputation, boost employee morale, and enhance their position in the market especially when governments and communities are witnessing the direct effects of climate change. Golob and Podnar (2007) add that societal pressures are pushing more companies to get involved in CSR.

Society increasingly expects companies to take responsibility for the social consequences of their actions. This growing concern isn't just about looking good; it's also a response to environmental worries and a desire to make a positive impact on the world. In essence many companies engage in CSR because it's not only the right thing to do but also because it brings about tangible benefits, from enhancing their reputation, to meeting society's expectations through tackling environmental concerns.

As highlighted by Clark-Murphy (2007), there has been an ongoing debate about how CSR affects companies. People are still being torn between 2 opinions, one where they think CSR can help, while the other is it might not do much or could even harm a company. The core issue is that when businesses adopt CSR, they often move away from the traditional goal of only making as much money as possible, and this shift can sometimes be felt negatively for the company's finances. However, most experts believe that CSR is good for companies. They argue that when firms get involved in CSR, it's not just about trying to look good, it's because it can make the company more valuable financially (Chairer et al., 2005). So, it's like aiming for financial success while also doing good things for society.

### **2.5. Beneficial Impacts of CSR on companies:**

Many studies, both theoretical and practical, consistently show that when companies embrace Corporate Social Responsibility (CSR), it tends to boost their competitiveness (Weber, 2008). While the exact link between making socially responsible choices and making more money isn't always crystal clear (Margolis & Walsh, 2003), it's pretty clear that adopting CSR-related values can bring several benefits to a company. These benefits aren't just about money; they can be other good things too. They usually come from either reducing bad stuff or doing more good stuff. These CSR benefits help a company stand out and do better than its competitors. When a company takes on social and environmental issues as part of its business, it can find unique and special ways to do it (Carroll & Shabana, 2010).

We will now show the potential benefits that CSR can have on a company.

- **Reputation and Image:**

Sure, when companies care about the environment and society, it can make people like their products and services more. This can earn companies trust and respect from customers, employees, and investors (Smith, 2003). Customers tend to stick with a brand that does good

things for society (Pivato, et al., 2008). CSR can also help a company's reputation, which can lead to making more money (Orlitzky, et al., 2003). Plus, employees might prefer to work for a company that does good things, and investors might be interested because these companies often have fewer risks and think more about the future.

Certainly, a company's reputation can significantly affect how well it competes over time. When a company has a CSR policy, it tells customers that it cares about what stakeholders think, understands the give-and-take between the company and society, and can do business while following societal rules (Carroll & Shabana, 2010). To boost its reputation, a company might do things like openly talking about its efforts to be more sustainable and engaging in charitable activities

Sharing information about CSR activities is a key part of any CSR plan. To keep stakeholders and competitors in the loop about what it's doing, a company should report on the things it's doing for sustainability. This can happen through a separate CSR report or by including social and environmental info in the regular annual report. Reporting on CSR is important because it helps a company measure, handle, and talk about how it's doing, which builds trust. It's also good for a company to use recognized reporting standards like the Global Reporting Initiative (GRI) or United Nations Global Compact, as this makes it easier to understand and shows it's serious about its plans, which boosts its reputation both locally and globally.

- **Employee Motivation & Retention:**

Absolutely, showing care for social and environmental issues can make a company more appealing to potential employees and encourage current ones to stay. Employees are often drawn to companies with robust CSR policies because they see it as a positive, reputable place to work. They may also be attracted by the prospect of working for a company that treats its workers fairly, offers good pay, and provides benefits. CSR also has a positive

impact on how engaged, committed, and satisfied employees feel about their work and their company (Aguinis & Glavas, 2012).

More and more employees are taking into account how a potential employer interacts with the local community and environment when they're job hunting (Kim et al., 2017). The quality of work-life offered by a company plays a significant role in how employees see and represent that company because they spend so much time at work. Quality of work-life covers the economic, social, and psychological connections between a company and its employees. Employees who are well-compensated, both financially and socially, tend to be more committed and productive in the long run compared to those who feel exploited. CSR strategies often involve strong human resource practices, which directly improve employees' balance of work life by offering things like on-the-job training, childcare, job security, and safety measures.

CSR's impact on this balance also indirectly affects a company's financial performance. For instance, a company that ignores social or environmental concerns might face resistance from upset stakeholders or local communities. In extreme cases, this resistance could lead to major protests or government penalties that disrupt the company's operations, which, in turn, affects the stability of its employees (Kim et al., 2017). CSR policies that prioritize creating fair and welcoming workplaces can help shield companies from such disruptions.

- **Reduction of Costs:**

Cost savings can also be a result of CSR efforts. These savings might come from becoming more efficient, saving time, or gaining better access to capital (Weber, 2008). When a company introduces a CSR or sustainability policy, it often leads to an analysis of the resources it uses, like materials and energy, and ways to reduce those usage for both cost-cutting and environmental benefits. For example, deciding to shift from fossil fuels to

renewable energy sources can lead to long-term cost reductions. Similarly, choosing to redesign packaging with fewer materials can save a company money that was previously spent on buying more materials. A company might even start using a circular business model because of their CSR focus, turning materials and resources once seen as waste into valuable inputs for their operations (Bocken et al., 2014).

Being involved in a CSR policy means that a company is tuned in to what society considers right and important. Therefore, these companies are more likely to interact with various stakeholder groups, such as regulators, non-profit organizations, and other groups that influence the rules and public opinion. Building cooperative relationships with these groups can save a company money by helping them avoid fines for not following regulations or reduce the risk of being sued by groups who feel they've been harmed (Weber, 2008).

- **Improved Sales & Market Share:**

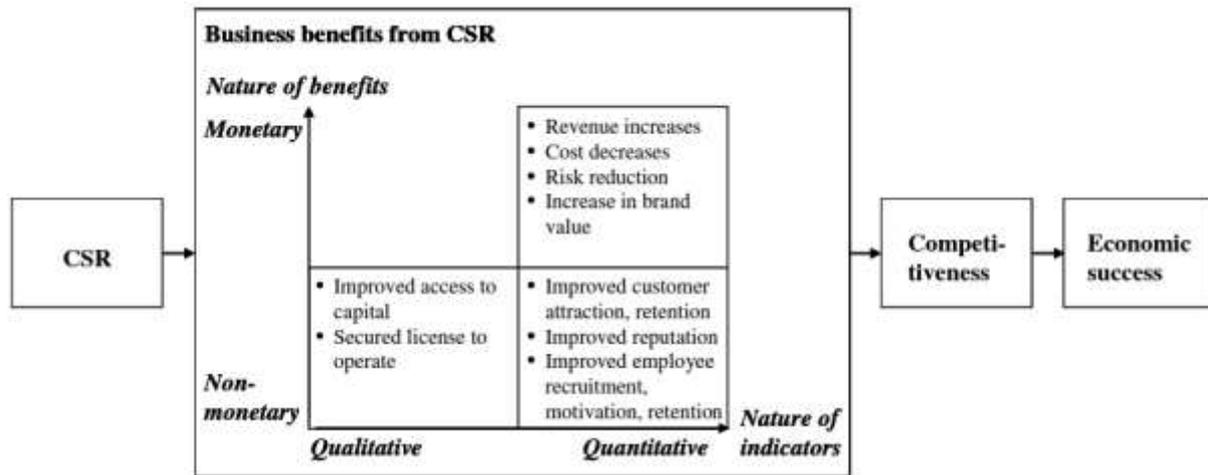
CSR can also boost a company's sales and make it more competitive (Weber, 2008). It's not just about making money; it's about building a good reputation, making everyone involved happy, and keeping customers loyal. All of this helps the company do better in the market. Here's a simple way to think about it: some customers are willing to pay a bit more for products or services if they know the company is being kind to the planet and society. But the company needs to tell customers about these good deeds, often through CSR reports. In 2014, there was an interesting survey by Nielsen about Corporate Social Responsibility. They asked 30,000 people in 60 countries if they'd pay extra for products and services from companies that are doing good things for the world. Amazingly, 55% of them said yes. In Europe, it was 40% (Nielsen, 2014). So, when companies make CSR part of their business, they can actually sell more of their products.

Businesses have the chance to create things that solve social or environmental issues. In today's world, lots of folks really care about these problems, and they appreciate companies that do too. When a business takes this route, it can catch people's eye and earn their trust because it demonstrates an understanding of what matters to all of us. This can translate into selling more products and having customers who are willing to pay a bit extra for them.

- **Competitive Advantage:**

The advantages a company gains from CSR activities significantly contribute to its competitive edge. This edge arises from recognizing the needs and views of stakeholders as opportunities, investing in employees and communities to enhance human resources, and adopting eco-friendly technology for a more stable future. Weber (2008) has illustrated these business benefits in a CSR impact model, demonstrating how they deliver both monetary and non-monetary advantages. These benefits fall into different quadrants of the model, which is shown in the next figure. On the vertical axis, CSR benefits are categorized into those that directly affect finances (like increased revenue or reduced costs) and those that bring indirect value (like enhanced customer appeal and reputation). The non-monetary benefits also lead to financial gains, but through more roundabout means, as explained in the preceding sections.

CSR benefits can be categorized further based on how they are measured: qualitatively or quantitatively, as shown on the horizontal axis. Companies need to keep track of their CSR activities using specific qualitative and quantitative indicators to report and communicate effectively. Qualitative measures include aspects like enhanced trust, legitimacy (license to operate), and improved access to capital. In contrast, quantitative measures involve numbers, such as increased revenue, boosted brand value, and a growing customer base. The interplay and extent of these CSR benefits ultimately determine the level of competitive advantage a company gains, impacting its economic prosperity.



**Figure 2:** CSR Impact Model (Weber, 2008)

## 2.6. Corporate Social Responsibility Principles:

- **Economic Growth & Prosperity:**

Engaging in proactive CSR to support economic growth and well-being allows businesses to anticipate and tackle potential economic responsibility concerns that might emerge when dealing with customers, suppliers, and shareholders in the market (European Commission, 2003, p. 11). This goes beyond short-term profit focus, highlighting the significance of long-term achievements related to the effective generation and distribution of products and services that enhance living standards on local and global scales (Bansal, 2005). This approach involves skillfully managing a company's economic resources to ensure sustained profitability and growth by fostering innovation, efficiency, and the generation of wealth (Dyllick and Hockerts, 2002).

- **Strengthening Social Unity and Fairness:**

Taking a proactive stance in CSR that upholds social unity and fairness entails actively considering aspects like 'the well-being, safety, and overall health of employees; inspiring the workforce through training and developmental prospects; and allowing businesses to serve as responsible contributors within the local community' (European Commission, 2003, p. 5).

This interpretation underscores a twofold emphasis on both workplace and community stakeholders. However, this also prompts the query regarding the source of motivation for such efforts. Certain researchers contend that the actions of small and medium-sized enterprises (SMEs) are shaped by prevailing value systems prevalent within social networks throughout their value chain, implying that norms and influences from employees and the community can shape the competitiveness of SMEs and propel CSR initiatives aimed at social equity (Petts et al., 1999).

- **Maintaining Environmental Sustainability and Safeguarding:**

Scholarly literature widely concurs that taking a proactive approach to CSR for the preservation of environmental sustainability and safeguarding surpasses mere adherence to regulations. It encompasses an emphasis on innovation, eco-efficiency, curtailing pollution, and demonstrating environmental leadership. The overarching objective is to limit a company's ecological footprint throughout the entirety of a product's lifecycle (Aragon-Correa, 1998; Buysse and Verbeke, 2003). This practice is frequently characterized by the adoption of internationally recognized environmental management systems, ensuring a systematic and continuous monitoring and management of a firm's environmental impacts, rather than handling them sporadically (Walley and Whitehead, 1994). Participation in CSR activities that champion environmental integrity further demands a sophisticated capability to seamlessly incorporate and oversee intricate value chain activities (Rutherford et al., 2000; Schaper, 2002).

### **2.7. Small and Medium Enterprises:**

Small and medium-sized enterprises (SMEs) constitute the prevailing form of business globally. Within the European Union, SMEs not only constitute the predominant business landscape but also stand as the key catalysts driving employment, gross domestic product,

and innovation (European Union, 2021). Given their distinctive characteristics, smaller enterprises exhibit distinct behaviors compared to larger corporations. Notably, their recognized limitations often lead to challenges in securing adequate financing (Freeman et al., 1983). Consequently, SMEs often grapple with the dilemma of how to attain growth and enhance performance due to this inherent predicament. In the year 2019, the European Union witnessed the active participation of over 22 million SMEs, a stark contrast to the mere 40 thousand larger enterprises. Impressively, SMEs constituted approximately 99.8% of all enterprises within the European Union (EC, 2020). Simultaneously, SMEs emerged as the principal drivers of the region's gross domestic product and the most significant employers, both within the European Union and globally. As attested by the European Commission's report, SMEs undeniably stood out as the most impactful contributors to the European Union's economic landscape across all categories of enterprises. Furthermore, as illustrated in Table 1, approximately two-thirds of the collective workforce within the common market found employment across all SMEs combined. The significance of SMEs has grown steadily over time, evident in the rise in their numbers, their expanding contribution to the gross domestic product, and their increasing role in bolstering overall employment figures.

	Companies in the EU		Companies Worldwide	
	SMEs	Large Firms	SMEs	Large Firms
Total Companies	99.8%	0.02%	90%	10%
Total Employment	65%	35%	50%	50%
New Job Creation	85%	15%	70%	30%
GDP Creation	56%	44%	40%	60%

**Table 1:** Comparison of SMEs and Large Firms  
(International Entrepreneurship and Management Journal, 2023)

Small and medium-sized enterprises (SMEs) are widely recognized as the driving forces behind global economies and the primary generators of employment opportunities (Wiklund et al., 2019). Given their substantial influence on economic advancement and development (Steiner and Atterton, 2014; Virglerova et al., 2020), there has been an extensive investigation into the factors that affect their likelihood of enduring over time (Sharma et al., 2020). Small and medium-sized enterprises (SMEs) hold a crucial position in economies worldwide, particularly in developing and emerging nations. These figures would be even higher if informal SMEs were included. Additionally, the World Bank forecasts that around 600 million individuals will join the global workforce in the next 15 years. Out of these new work opportunities, it's anticipated that four out of five will be created by SMEs. Moreover, the World Bank Group's study indicates that roughly 400 million MSMEs (microenterprises and SMEs) exist in emerging economies, with the majority functioning informally. This estimation underscores the significant influence of SMEs on the economic landscape of emerging nations. Given their paramount role in fostering growth and future prospects in developing and emerging economies, governments in these regions are actively seeking means to fortify SMEs and enhance their viability. Nonetheless, in spite of the endeavors made by policymakers to amplify the growth of SMEs, the significance of SMEs in propelling private sector expansion is frequently underestimated, as highlighted by a study from Dalberg Global Development Advisors. Their findings illustrate how the growth of SMEs in emerging economies faces hurdles stemming from inadequate access to financial resources necessary for their expansion. Furthermore, they contend that local financial structures do not adequately accommodate the requirements of SMEs, thereby stifling economic progress. There exists an opportunity for governmental interventions to bridge the financing gap and actively contribute to enhancing the operational landscape for SMEs (Bouri et al., 2011).

## **2.8. CSR in the context of SMEs:**

Traditionally, CSR has been associated with large corporations (Courrent, 2012; Jenkins, 2009), and work on CSR has tended to focus on these organizations (Biwolé, 2017; Spence and Perrini, 2009), overlooking SMEs. Now, with the recognition of their cumulative impacts on the economic, social and environmental levels (Hitchen et al., 2005; Paradas et al., 2017), they can no longer remain outside this field. Biwolé (2017) reminds us of the importance of mobilizing a large mass of SMEs in the study of their social responsibility in order to perpetuate the trend of research into SD (Sustainable Development) and CSR (Luetkenhorst, 2004). It is important to emphasize that the behavior of SMEs towards CSR is quite different from that of large companies (Frimousse, 2013; Jenkins, 2004) and strongly depends on the personal characteristics of the owner-manager (Jenkins, 2004; Paradas et al., 2017). In SMEs, Capron and Quairel (2016) point out that CSR is only "very weakly integrated" into SME strategy. Asselineau and Cromarias (2011) and Saulquin and Schier (2007) propose, for their part, that to ensure the strategic integration of CSR in SMEs, a profound reorientation of the company's logic, management, strategy, and therefore strategic vision towards a sustainability approach should take place. It can be said that the commitment of SMEs to a CSR approach is not very formalized and is often supported by the vision of the manager (Frimousse, 2013). Behind the scenes lies a notable transformation in public priorities over time, shifting toward values that extend beyond financial aspects, particularly emphasizing environmental and social considerations (Gray et al., 1998). This trend has been further propelled by heightened prosperity, particularly in developed nations (Leisinger, 2005). However, this shift has ushered in a multifaceted array of expectations from diverse societal segments. Corporate Social Responsibility (CSR) is a multi-faceted construct encompassing a wide spectrum of business activities. These endeavors often respond to varying, sometimes conflicting, expectations from different stakeholder groups. Importantly, these efforts may not be directly

linked to a company's primary business operations. Additionally, the terms of the "social contract" that governs the relationship between the organization and its stakeholders are not static, necessitating continuous equilibrium between two pivotal objectives – maintaining legitimacy and relevance in its endeavors. This dynamic interplay adds complexity to corporate operations (Shocker and Sethi, 1973; Brown and Deegan, 1998).

Current scholarly literature reveals that the correlation between Corporate Social Responsibility (CSR) and Firm Performance has undergone extensive investigation, yielding a range of outcomes without a definitive consensus being reached (Javed et al., 2020; Sharma, 2019). A recent study by Le et al. (2021) proposed that CSR's link to firm performance is both direct and indirect. The indirect connection was examined through the mediating influences of brand trust and brand loyalty. Similarly, another study affirmed that CSR exerts both direct and indirect impacts on FP (Le et al., 2021b). The indirect link was established through customer retention and business continuity acting as intermediaries. Conversely, alternative viewpoints argue that CSR holds no substantial correlation with FP (Huang et al., 2020) or even that it exhibits a negative association with FP (Lima Crisóstomo et al., 2011). Additionally, Yoon and Chung (2018) differentiated CSR endeavors into internal and external categories, discovering divergent outcomes concerning their effects on corporate performance indicators. Precisely, while internal CSR demonstrates a positive influence on profitability, it bears no impact on the market value of the enterprise. Conversely, external CSR yields opposing results. Furthermore, previous investigations into the direct link between CSR and FP have produced inconclusive findings due to variations in research settings and contextual factors (Oeyono et al., 2011), compounded by potential indirect effects of other variables influencing this relationship (Saeidi et al., 2015).

## 2.9. CSR Engagement:

In the ever-evolving landscape of business ethics and societal expectations, the Pyramid of Corporate Social Responsibility (CSR) emerges as a cornerstone for comprehending the diverse roles organizations play. This framework takes us through four ascending tiers of commitment: economic, legal, ethical, and philanthropic, revealing how businesses navigate their responsibilities while balancing financial success and community involvement. While this framework has long been applied across sectors, its significance truly shines when considering Small and Medium-sized Enterprises (SMEs).



**Figure 3:** Pyramid of CSR Engagement (Carroll, 1950)

- **Economic Responsibility for SMEs:** Economic responsibility is the foundation of the CSR pyramid and underscores SMEs' primary obligation to be financially viable and generate sustainable profits. For SMEs, economic responsibility involves: Ensuring business profitability and long-term viability to create economic value for owners, employees, and stakeholders. Efficiently managing resources, costs, and revenue streams to maintain financial health. Contributing to local and national economies through job creation, tax payments, and economic growth. Navigating the

challenges posed by resource limitations and competitive markets to achieve financial stability.

- **Legal Responsibility for SMEs:** Legal responsibility entails complying with laws and regulations in all aspects of business operations. For SMEs, legal responsibility encompasses: Adhering to local, national, and international laws that govern their industry, product safety, employment practices, environmental impact, and more. Ensuring transparency in financial reporting and adhering to accounting standards and regulations. Taking necessary measures to protect consumer rights, data privacy, and intellectual property. Managing compliance challenges despite potentially limited resources, often faced by SMEs.
- **Ethical Responsibility for SMEs:** Ethical responsibility involves considering moral implications beyond legal requirements and making decisions that are morally right. For SMEs, ethical responsibility involves: Conducting business with honesty, integrity, and fairness, even in the absence of regulatory mandates. Treating employees, customers, suppliers, and the community with respect and empathy. Navigating ethical dilemmas, such as fair wages, workplace diversity, and sustainable sourcing, within the context of resource limitations. Balancing ethical considerations with practical business decisions to create a positive organizational culture.
- **Philanthropic Responsibility for SMEs:** Philanthropic responsibility at the top of the pyramid involves giving back to the community and contributing to social causes. For SMEs, philanthropic responsibility includes: Engaging in charitable initiatives, community projects, and partnerships that align with the company's values and resources. Supporting local initiatives, such as education, health, environment, and social welfare, to make a positive impact on the community. Volunteering time, expertise, and resources to contribute beyond business operations. Leveraging the

agility and local focus of SMEs to make meaningful contributions that align with their mission and values.

In the context of SMEs, each level of responsibility in the CSR pyramid reflects the unique challenges and opportunities faced by smaller businesses. While resource constraints may shape the extent and scope of their engagement at each level, SMEs have the advantage of being closely connected to their communities and stakeholders, enabling them to establish strong relationships and contribute meaningfully to their surroundings. The progression through the pyramid signifies SMEs' commitment to gradually expanding their CSR efforts to align with their financial capacity and ethical commitment.

#### **2.10. Challenges Faced by SMEs:**

Small and medium-sized businesses (SMEs) have periods where they grapple with tough situations, including rising expenses and shrinking income. Sometimes it becomes a real headache for millions of these companies, mainly due to factors like inflation, surging prices for raw materials, expensive insurance, sluggish demand for their products and services, and other operational costs. Now, as various industries are bouncing back from the pandemic's impact, the issue of managing expenses and ensuring profitability is weighing heavily on businesses. They're finding themselves in a position where they must come up with solutions to tackle these challenges.

The loss of skilled workforce to competitors, especially larger companies within the same industry, is also a major concern for SMEs (Small and Medium-sized Enterprises). Working for a big company offers personal growth and greater career stability, but there are other reasons why talents are leaving SMEs. Let's take an example: after Brexit, EU citizens working at SMEs left Britain uncertain about their status and future life. The Great Resignation has also prompted several big companies to scout for talent.

Is the expansion challenge seen as a "good" problem? Absolutely, because these companies are growing or believe it's time to grow. However, opening a new office always comes with various challenges. They'll encounter a growing need for manpower, more complex customer demands, and other business processes such as inventory management, dealing with new competitors, supply chain issues, company culture, handling multiple currencies, as well as reporting and accounting standards.

Competitors keep companies on their toes. And even though it is not advised to focus too much on the competitors, SMEs still need to keep an eye on them if they want to stay in the market. Specifically, find out about the services or products they're offering in the market and the marketing strategy they're implementing. It's not about copying them, but rather understanding what their prospects are being exposed to. The harsh truth is that it can be tough to compete with them, no matter how hard they try.

### **3. COMPANY & INDUSTRY PRESENTATION:**

#### **3.1. Wörwag Pharma Presentation:**

Wörwag Pharma is German international family-owned Pharmaceutical company founded in 1965 with its headquarters being in Boblingen near Stuttgart. They develop, produce and distribute pharmaceuticals with a focus on biofactor preparations which include vitamins, minerals and trace elements. It operates in 35 markets across Europe, Asia, and Latin America. In 2022 the company generated revenues of more than 290 million euros with more than 1400 employees across the different subsidiaries. Its main 4 Therapeutic Areas are: Immune System, Nervous System, Musculoskeletal System, and Diabetic Comorbidities.

Wörwag Pharma has a product portfolio that encompasses items requiring prescriptions, non-prescription products, and nutritional supplements. Notably, a significant portion of pharmacy-exclusive offerings are tailored for addressing secondary health concerns

associated with diabetes. Additionally, solutions are designed to tackle nervous system disorders (neuropathies), bolster immune function, and facilitate the maintenance of a robust musculoskeletal system. At the production site situated in the Łódź Special Economic Zone, Poland, Wörwag Pharma engages in the production of both its proprietary products and contract pharmaceuticals. The state-of-the-art facility occupies a substantial area of 9,500 square meters and is outfitted with cutting-edge technology to facilitate manufacturing and research endeavors. This recently acquired site is strategically evolving into a center of excellence specializing in oral dosage forms for the larger Wörwag Pharma group of companies.

### **3.2. Company's Values:**

Humanity, closeness, and accountability embody the core values that underpin their longstanding principles, propelling our shared progress. A defining characteristic that distinguishes the firm is the steadfast commitment to remaining a family-owned enterprise, even amidst their expansion. Our endeavors consistently center around advancing the interests and contentment of our customers. This objective serves as a focal point, and they assume the responsibility for its fulfillment. Wörwag Pharma's actions derive their credibility and robustness from their adherence to their commitments. As a dependable collaborator, the company provides unwavering support to individuals - patients, customers, medical practitioners, pharmacists, suppliers, and colleagues alike.

### **3.3. Company's Mission:**

Wörwag Pharma's focal mission is to develop solutions of exceptional efficacy that prioritize customers' needs. Their unwavering commitment lies in the prevention and management of lifestyle diseases. Guided by rigorous research and innovation, they aim to enhance overall

health and wellness. By catering to their customers' requirements, the company aims to spearhead efforts in addressing the complexities of lifestyle-related health concerns.

#### **3.4. EU Pharmaceutical Market:**

The pharmaceutical industry is a key driver for economic development, as it is one of the most research-intensive industries, providing a variety of products that improve the quality of life, and save lives. Over the years, the industry went from relying on huge for-profit manufacturers solely, to including basic research institutions such as laboratories and universities. These pharmaceutical conglomerates that rely on research intensity are no longer the only source of innovation, as they are increasingly seeking collaborations with firms manufacturing generics in developing countries. Even while being subject to regulations specific to the sector, pharmaceutical companies are not exempt from the laws of competition, opening the doors for increased innovation and competitiveness in the industry. There are ongoing trends and developments in the industry to discover, develop and improve new and existing drugs. One trend is that companies decide to merge so they can specialize in a specific sub-market. This allows them to provide funds for heavy research and strengthen their positions in the market.

A considerable portion of Europe's pharmaceutical manufacturers operates under the umbrella of EFPIA, the European Federation of Pharmaceutical Industries and Associations. Presently, this federation encompasses 37 national pharmaceutical associations and 39 prominent pharmaceutical companies across Europe. In the year 2021, it was estimated that EFPIA members collectively generated an impressive production value of around 300 billion euros. Moreover, the trade balance exhibited a positive surplus of 175 billion euros, underscoring the continent's substantial role as a notable exporter of pharmaceutical products. At present, approximately 840,000 individuals are employed within the European

pharmaceutical industry, reflecting a significant increase compared to the roughly 535,000 employees recorded in the year 2000. (GTAI, 2021)

In the pharmaceutical sector, having a robust pipeline of potential new medications and allocating resources to research and development are absolutely crucial. In 2021, members of the European Federation of Pharmaceutical Industries and Associations collectively invested a substantial 41.5 billion euros into research and development (R&D), and notably, Germany and Switzerland emerged as the leading contributors to this effort. Europe stands out as a formidable player in the realm of clinical trials as well, with approximately one-quarter of clinical trials worldwide being carried out on European soil. Within Europe, Eastern Europe and Southern Europe emerge as the primary subregions where the majority of these trials take place. Following the completion of these trials, any drug aiming to enter the market must receive approval from the European Medicines Agency (EMA). Notably, in 2021, the EMA greenlit a significant number of new active substances, predominantly in the fields of oncology and infectious diseases.

Pharmaceutical companies bear a significant burden of social responsibility due to the critical impact of their products, namely medicines, on the broader public. These products often stand as the differentiator between life and death, underscoring the pivotal role they play. It's imperative to delve deeper into the discourse surrounding how pharmaceutical companies can align their objectives and resources without encroaching upon the government's role in safeguarding access to essential medications (Hunt & Khosla, 2010). Furthermore, an exploration into the operations of various well-established pharmaceutical entities in Europe brings to light their somewhat constrained transparency in disclosing crucial facets of Corporate Social Responsibility (CSR) (International Consumers, 2006). A study carried out by Demir and Min in 2019 presents noteworthy findings (Demir & Min 2019). It reveals that pharmaceutical companies tend to concentrate on pivotal CSR practices. However, this

analysis unveils a gap when it comes to the inclusion of human rights or supply chain information in their CSR practices. It's evident that there's room for further investigation and discourse in this realm.

In a collaborative report addressing Corporate Social Responsibility (CSR) within the pharmaceutical sector (Nussbaum, 2008), British non-governmental organizations (NGOs) Oxfam, Save the Children, and VSO articulated a fundamental perspective. They depicted CSR as the industry's response to the mounting public apprehensions concerning the accountability and the broader societal, economic, and ecological implications associated with multinational corporations (Oxfam, Save the Children, and VSO). The core premise put forth by these NGOs was that while CSR has historically been closely aligned with public relations and the management of reputation risks, it necessitates a significant expansion beyond mere philanthropic activities. To explore this further, the NGOs engaged with 11 prominent pharmaceutical companies by dispatching questionnaires. The aim was to gather insights into the pharmaceutical industry's CSR endeavors aimed at aiding underserved populations in developing countries and enhancing access to essential treatments. The inquiries revolved around five pivotal domains of CSR in the pharmaceutical sector: pricing strategies, patent considerations, research and development (R&D) initiatives, Joint Public-Private Initiatives (JPPIs) encompassing donations, R&D, and price reductions, as well as the judicious application of medications (Oxfam, Save the Children, & VSO). This initiative by the NGOs underscores the growing scrutiny on pharmaceutical companies to play a proactive and substantive role in addressing critical issues tied to access to treatments, especially in less privileged regions.

### **3.5. CSR in the Pharmaceutical Industry:**

The pharmaceutical industry holds a significant global role. Amidst industry-wide challenges like tough competition and strategic consolidation, pharmaceutical companies engage in the discovery, development, production, and promotion of new and innovative medicines.

Despite being profit-oriented entities, these companies also have a responsibility to enhance the financial well-being of their shareholders by increasing profits. On the other side of the equation, there are patients and other groups who are demanding more responsible and sustainable practices from pharmaceutical companies, even if it means sacrificing some profits. Their aim is to enhance overall health (Esteban, 2008). Balancing these two sides requires carefully integrating economic, social, and environmental factors into the business strategies and operations of pharmaceutical companies.

Pharmaceutical companies have a clear mission: developing medicines to improve and prolong human lives. When we look at their different definitions and strategies for corporate social responsibility (CSR) and sustainability, it becomes clear that effectively engaging with a variety of stakeholders on health-related business policies and practices is a key part of how they understand CSR. This broader approach, which focuses on stakeholders rather than just shareholders, also means that pharmaceutical companies need to increasingly communicate their economic, social, and environmental efforts, risks, and impacts when discussing their value with stakeholders (Min et al., 2017). The world of finance, which includes investment banks and rating agencies, is already paying attention to sustainability and showing growing interest in companies' stances on important topics like climate change, policies related to clinical trials, and their role in corporate citizenship (Esteban, 2008).

The pharmaceutical industry is truly committed to fostering a healthier and more environmentally sustainable future. They're doing this by actively pursuing an adaptable and

innovative sustainability strategy, grounded in solid evidence. This approach enables the pharmaceutical sector to seamlessly incorporate sustainability principles across their entire value chain. Their aim? To deliver products and services that prioritize quality, health, and environmental responsibility. In doing so, they're making a positive impact on the lives of patients and our planet as a whole. Environmental sustainability plays a crucial role in boosting progress, enhancing efficiency, and maintaining transformative health innovations. Their sector promotes the smart handling of environmental challenges and actively engages in initiatives that encourage greater environmental accountability.

- **Water:**

The European pharmaceutical sector is dedicated to actively dealing with concerns regarding Pharmaceuticals in the Environment (PiE). It's vital to minimize the impact of medicines on the environment while ensuring patients still have access to effective treatments. This is a significant concern across all healthcare sectors. EFPIA believes that a collaborative approach is the way forward to better understand and proactively address any potential risks linked to PiE. As a step in this direction, EFPIA, AESGP, and Medicines for Europe have created the Eco-Pharmaco-Stewardship (EPS) framework. This framework aligns with the well-accepted principles of product stewardship and is being implemented across the industry in cooperation with various stakeholders in the healthcare and environmental fields.

- **Circular Economy:**

The pharmaceutical industry is fully behind the idea of a circular approach to its operations and products, which aligns with the European Commission's Circular Economy Action Plan. This commitment is in line with their goal of ensuring a stable supply of pharmaceuticals for patients and enhancing human health. Their approach to circularity draws on their extensive experience in environmental sustainability (EFPIA, 2023). However, they acknowledge the

challenges, such as the speed of transition, that come with operating in a heavily regulated industry. Balancing circularity with pharmaceutical regulations is crucial. Embracing innovation to support circularity will open up new growth opportunities, boost resource efficiency, foster a more competitive economy, and reduce pollution. The adoption of a circular economy is vital in limiting global temperature increases to 1.5°C or less. They are eager to contribute to the solution by collaborating with the EU to shape the legislative framework and implementing circular practices within their organizations to reduce their environmental footprint.

- **Climate Change:**

Human activities, whether direct or indirect, have had a profound impact on the composition of the Earth's atmosphere, leading to an increase in carbon dioxide emissions and subsequently driving up global temperatures. This phenomenon, commonly known as climate change, has resulted in more frequent and severe weather events. The pharmaceutical industry recognizes its role in promoting a healthy environment and takes proactive measures to address climate change. Their efforts align with the European Commission's climate policies, and member companies of EFPIA are dedicated to: Developing climate change policies and strategies tailored to their specific companies, taking into account the materiality and impact of their operations along the entire value chain. Setting science-based targets to reduce carbon dioxide equivalent (CO<sub>2</sub>e) emissions, with a commitment to ongoing progress. Focusing on reducing energy consumption and enhancing energy efficiency, actively seeking opportunities to utilize renewable energy sources throughout the value chain. Transparently reporting on their CO<sub>2</sub> performance annually, using recognized methodologies like the World Resources Institute Greenhouse Gas Protocol. Through these actions, the pharmaceutical industry not only contributes to a healthier environment but also demonstrates leadership in addressing climate change.

### **3.6. Germany's Pharmaceutical Market:**

Germany combines cutting-edge innovation, a rich tradition as a global pharmacy hub, and a rising demand for healthcare products (GTAI, 2021). This makes it the perfect place for pharmaceutical research, production, and sales. Factors like changing demographics, more chronic illnesses, and a focus on prevention and self-care are causing Europe's biggest pharmaceutical market to grow faster than Germany's economy itself. Germany is a major player in clinical trials worldwide and leads in pharmaceutical innovation in Europe due to significant research investments and patent applications. Many German organizations are playing a key role in the global fight against the Covid-19 pandemic, building on these strengths.

Germany stands out as the world's largest exporter of medicinal products and holds a prominent spot among the leading pharmaceutical manufacturers on a global scale (GTAI, 2021). Amid the growing demand for personalized medicine worldwide, Germany has transformed into a major provider of innovative biopharmaceuticals. Situated at the heart of Europe and enriched by exceptional infrastructure and a talented workforce, this highly populous nation offers an inviting environment and favorable conditions for pharmaceutical companies eyeing international expansion.

#### **3.6.1. Germany's Pharmaceutical Market in Numbers:**

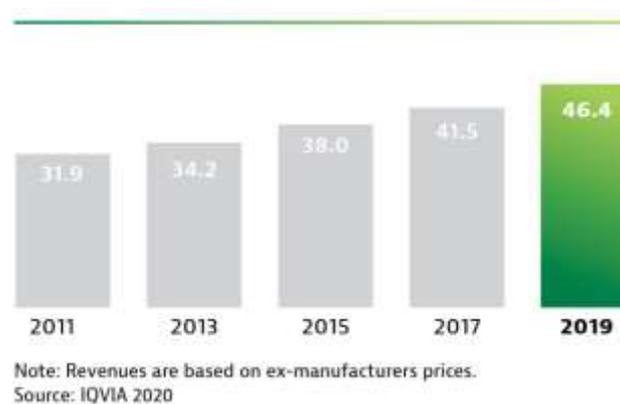
- **Biggest Market in Europe**

Germany plays a pivotal role in the European pharmaceutical landscape, ranking as the fourth largest pharmaceutical market globally, following the USA, China, and Japan. In the year 2019, the overall pharmaceutical market witnessed a substantial revenue surge of 5.7 percent, reaching an impressive EUR 46.4 billion (excluding manufacturer prices). A notable proportion, approximately 86 percent, of these revenues emanated from pharmacy-related

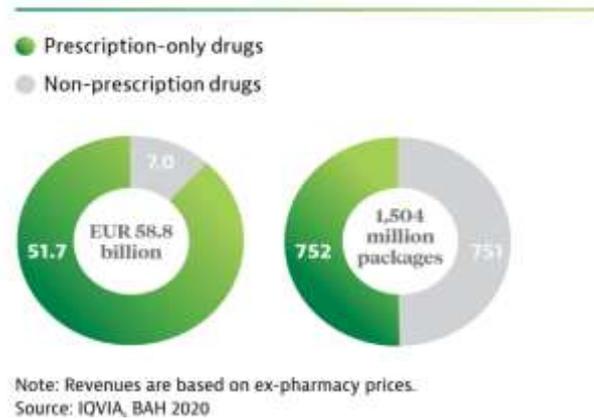
activities, while the remaining 14 percent originated from the clinical segment. Over the same period, pharmaceutical sales through pharmacies, encompassing mail-order pharmacies as well, registered a robust increase to EUR 58.8 billion (excluding pharmacy prices), marking a growth rate of 5.3 percent. It's noteworthy that prescription-only medicines constituted 88 percent of these sales, signifying their dominant presence.

- **Robust Industry Foundation**

Germany boasts a robust foundation in the pharmaceutical sector, hosting a cohort of over 500 pharmaceutical enterprises. This assortment encompasses both domestic corporations and subsidiaries of international conglomerates. The spectrum ranges from industry giants such as Bayer, Boehringer Ingelheim, and Merck, to the emerging landscape of small, innovative biotechnology start-ups. Corresponding to trends in other economic domains, small and medium-sized enterprises (SMEs) form the bedrock of the pharmaceutical industry, with approximately 90 percent of manufacturers boasting fewer than 500 employees. Notably, in the year 2017, as many as 234 of these companies had staff numbers below 20. Collectively, the German pharmaceutical sector sustains a workforce of 120,000 individuals, as of 2019.



**Figure 4:** Pharmaceutical Industry Revenues in Germany (IQVIA, 2020)



**Figure 5:** Drug Sales in the German Pharmacy Market 2019 (IQVIA, 2020)

As a notable pharmaceutical provider, Germany continues its legacy as the “world’s pharmacy.” In the year 2018, Germany achieved a remarkable production value of EUR 36.1 billion, thereby securing its position as the leading pharmaceutical manufacturing hub within the European Union. This achievement is further emphasized by its strategic location in the heart of Europe and its integration into global supply chains. In terms of imports, the country brought in medicines valued at EUR 56.9 billion during 2018, marking an increase of 8.1 percent. Correspondingly, exports of pharmaceuticals surged by 10.3 percent in the same timeframe, reaching an impressive EUR 83.2 billion. These statistics serve to solidify Germany’s standing as the world’s principal supplier of medications and the second largest importer in this realm.

- **R&D Excellence and Innovation**

Germany stands as an ideal breeding ground for the advancement and production of research-driven, top-tier products. The year 2018 witnessed a substantial R&D investment by the German pharmaceutical industry, amounting to nearly EUR 7.4 billion – the highest among all European nations. Of noteworthy significance, the pharmaceutical sector in Germany displays the most elevated level of research intensity among major industries in the country, with approximately 12.5 percent of its revenues being reinvested into research and

development during 2018. Reflecting this commitment to innovation, the German pharmaceutical landscape witnessed the sponsorship of 499 clinical trials by research-focused pharmaceutical companies in 2019, thereby securing a notable fifth place on the global stage. Furthermore, when evaluating the number of patent applications, Germany takes the lead in pharmaceutical innovation within Europe. In the year 2018, the pharmaceutical industry within Germany registered 584 patents with the European Patent Office, underscoring its dynamic role in propelling innovative developments within the sector.

### **3.7. SMEs in Germany:**

Germany's economic vitality is deeply intertwined with its array of small and medium-sized enterprises, commonly referred to as the "Mittelstand." Amidst the notable presence of global corporations and renowned industry giants, it's the 3.5 million SMEs, freelancers, and self-employed professionals that define the distinctive fabric of the country's economy. Remarkably, over 99% of German enterprises fall within the SME category. These encompass businesses with an annual revenue under 50 million euros and staff counts below 500 individuals. Significantly, the influence of SMEs extends to Germany's diverse demographic landscape. A substantial number of migrants are employed in SMEs, and an impressive cohort of over 800,000 individuals with migrant backgrounds own and operate their own businesses. This underscores the pivotal role played by migrants in Germany, emerging as a substantial driving force within the country's economic landscape.

Germany's SMEs exert a considerable influence on the global stage, especially evident through the presence of 2,700 "Hidden Champions" worldwide, with approximately half being German SMEs. These entities are recognized for their exceptionally innovative products and solutions, characterized by close customer relationships and agile decision-making. These traits have propelled them to positions of market leadership in Europe and across the globe. Notably, the creative industry, largely comprising SMEs, holds a significant

place within Germany's economic framework. This sector stands as a trailblazer during the country's transition to a digital and knowledge-centric economy, contributing significantly to the innovation landscape. In 2020 alone, the creative industries were represented by around 259,000 businesses. Within this dynamic context, the Berlin-Brandenburg region emerges as a global hotspot for startups and a hub for creative industries, further accentuating Germany's prowess in this domain.

### **3.8. Performance Capabilities of SMEs in Germany:**

German small and medium-sized businesses (SMEs) are really good at handling tough times, even when things are harder for them compared to big companies. These SMEs have actually been hiring more employees over the past ten years. And even when the economy hasn't been doing well, like during the financial crisis in 2008 and 2009, they didn't get hurt as much. On the other hand, bigger companies cut down on their workforce during that time. But, the COVID-19 pandemic did affect Germany's SMEs, even though they're usually good at dealing with challenges. Still, these companies managed to get through the tough year of 2020 pretty well. A report by the KfW SME Panel in 2021 showed that small and medium-sized businesses lost a lot of money in sales, about 277 billion euros, last year. However, because these SMEs are flexible and can adapt quickly, they prevented things from getting worse. Even though they had less money coming in from sales, they were still able to make a profit. The amount of money they earned compared to what they made in sales only dropped a tiny bit, from 7.5 percent to 7.3 percent. This shows once again that German medium-sized companies are really good at handling tough times. Another thing that makes German small and medium-sized businesses (SMEs) different from big companies is how flexible they are when it comes to customers and the market. SMEs can change what they make faster because they produce smaller amounts at a time. This means they can meet specific customer needs better. This ability will continue to be a strong point for SMEs and the German economy.

There's also something special about how German SMEs treat their employees, and this makes their workers more productive. They make sure that employees have interesting and varied tasks, and they involve them in decision-making. This helps prevent boring work. Unlike big companies that have a lot of rules and regulations because they're so big, SMEs have simpler structures which seem to work better. This approach keeps the work from being boring and increases how motivated and productive the staff are.

### **3.9. Financing Ways of German SMEs:**

Right now, when it comes to getting money, German small and medium-sized businesses (SMEs) mostly use traditional ways like using their own funds, getting loans from banks, and getting money from their owners or shareholders. Using methods like becoming a public company (IPO) or getting money from the stock market isn't very common for German SMEs. One big reason for this is that many of these companies believe they're too small to be on the stock market. However, looking at past data, it's clear that even small and medium-sized businesses can successfully get money from the stock market. This means that these lesser-known ways of getting money could actually help German SMEs do even better in the future.

In Germany, small and medium-sized enterprises (SMEs) currently have good access to financial resources. The prolonged period of low interest rates has created favorable conditions for obtaining bank loans, which remain the primary source of financing for these businesses. As a result, most SMEs report little to no difficulty in securing funds for their investment needs through bank loans.

However, in cases where the available financial options from the private sector are insufficient, the Federal Government offers a wide range of financial instruments to support SMEs, aspiring entrepreneurs, and innovative startups in implementing new projects,

developing products, refining processes, and launching services. A significant focus of this support is directed towards startup and growth initiatives.

In recent years, there has been a strong emphasis on financing innovation and providing venture capital for startups, which has experienced significant growth in the past legislative period. Consequently, the venture capital market in Germany has seen notable expansion. Public funding programs, both at the federal and state levels, have played a crucial role in fostering a positive environment, especially in early-stage financing for startups. However, when compared internationally, the German venture capital market remains relatively small. Particularly in the second and third phases of growth, where financing needs range from EUR 50 to 150 million, German startups often encounter challenges in securing funding. This is partly due to the limited availability of venture capital funds in Germany specializing in the growth phase. Nevertheless, there is a rising number of funds with substantial volumes of EUR 500 million or more, enabling larger financing rounds for startups.

#### **4. APPROACH & METHODOLOGY ADOPTED:**

The objectives of this part of the report consist of understanding the methodology of the exploratory research adopted. An exploratory research was carried out through a case study of the German pharmaceutical company Worwag Pharma. A qualitative study was carried out within the company. An interview guide has in fact been administered online. The people interviewed had various profiles, belonging to the Marketing, Sales, and Medical departments. For reasons of confidentiality, the identities of the respondents will not be disclosed.

#### **4.1. Research Methodology Adopted:**

In order to meet the report's objectives, we adopted an approach comprising two studies:

1. Exploratory research was carried out through a case study in order to investigate and understand the CSR practices and their impact on "Worwag Pharma" in terms of performance.
2. A qualitative study via interviews that were administered online in order to determine the opinions of respondents concerning the level of social engagement and sustainability of "Worwag Pharma".

A qualitative method looks at the qualities of a subject, like its characteristics, and gives non-number data. It can be a bit tricky to start but analyzing its data is tough. Quantitative data, on the other hand, collects numbers through surveys and is shown in graphs or percentages (Neville, 2007). For this study and its questions, we chose the qualitative method.

The interview guide includes general questions that center on the company's CSR practices within the pharmaceutical industry. It also incorporates more specific and operational questions related to the interviewee's company and their role within it. Additionally, the interviewees were encouraged to substantiate their responses with concrete examples to elicit more precise and comprehensive answers.

Beyond collecting information about the company's CSR practices, this interview guide also provided an opportunity to seek advice from the interviewees. Their real-world experiences and viewpoints supplied valuable input for crafting tangible recommendations to improve the company's CSR efforts. These suggestions will be extensively explored in subsequent sections of this thesis report, offering practical insights to guide Worwag Pharma in its ongoing dedication to corporate social responsibility.

## **5. DATA COLLECTION & ANALYSIS:**

### **5.1. Interviews & Results:**

- **Presentation of the interview:**

During my 7-month-long time as a Working Student in the Global Marketing & Portfolio Management department at Worwag Pharma, I undertook a qualitative study by implementing an interview guide comprising of 7 questions relevant to the company's CSR practices and their impact on its performance. The interviewees represented diverse roles within the organization, including Corporate Communications Manager, Global Launch Manager, Strategic Purchaser, Marketing Research Analyst, Product Manager, Sales Manager, and Regulatory Director. This research experience was instrumental in preparing me for my current thesis topic, which explores the relationship between CSR practices and performance within Worwag Pharma.

- **Objectives of the Interview:**

The purpose of these interviews was twofold; on the one hand to enrich my knowledge about Corporate Social Responsibility practices but also to know what experts, and actors on a daily basis think about CSR in the pharmaceutical industry and its potential impact.

- **Structure of the Interview:**

The interview guide (Appendix 1) is based on general questions about CSR in the pharmaceutical industry and more specific and operational questions about the company and their position within it. Respondents were asked to provide concrete examples in order to obtain more accurate and comprehensive answers. The guide has four themes that are as follows:

**Theme 1:** Understanding CSR Practices

**Theme 2:** CSR Implementation & Strategy

**Theme 3:** Measuring the Impact on Performance

**Theme 4:** Challenges, Opportunities & Future Directions

<b>Respondents</b>	<b>Gender</b>	<b>Age</b>	<b>Position</b>
R1	Female	52	Global Launch Manager
R2	Female	49	Corporate Comm Manager
R3	Female	36	Strategic Purchaser
R4	Male	38	Marketing Research Analyst
R5	Male	45	Regulatory Director
R6	Male	42	Product Manager
R7	Male	46	Sales Manager

**Table 2:** Qualitative Sample Description

- **Method of Execution:**

We have voluntarily targeted profiles with a high level of responsibility working in the company and medical technologies and having different transformation. Respondents had experience in the company ranging from a few months to several years, which allowed for different perspectives.

- **Interpretation of Results:**

**Theme 1: Understanding CSR Practices**

The interviewees did not have a thorough understanding of what corporate social responsibility is, most of them thought it was solely about the commitment of firms towards

environmental issues. However, some of the interviewees showed a deeper understanding of what CSR is especially thanks to the efforts made by the company to support local NGOs and the projects in Africa.

The responses from the interviewees shed light on varying levels of understanding regarding Corporate Social Responsibility (CSR) both in general and within the context of the pharmaceutical industry in Germany. Some interviewees demonstrated a comprehensive grasp of CSR, acknowledging it as a multifaceted commitment that encompasses not only environmental considerations but also ethical business practices, community engagement, and sustainable initiatives. They recognized CSR as a pivotal aspect of the pharmaceutical sector, extending beyond environmental concerns to encompass broader societal impacts. However, it is worth noting that certain interviewees primarily associated CSR with environmental responsibilities. This disparity in comprehension underscores the importance of continuous communication and educational initiatives within the organization. These efforts are crucial to ensure that all stakeholders have a well-rounded understanding of the scope and significance of CSR. Moreover, it emphasizes the need to tailor CSR messaging to different audiences to effectively convey the comprehensive nature of Worwag Pharma's CSR endeavors.

## **Theme 2: CSR Implementation & Strategy**

One of the interviewees stressed the importance of CSR initiatives that produce tangible and visible results. For instance, projects like constructing schools in Africa and equipping students for their future careers create concrete, positive outcomes. This is in contrast to simply donating to larger organizations, where the final destination and impact of contributions might be less transparent.

All the interviewees acknowledged the presence of environmental sustainability measures at the company's headquarters. These measures include safety regulations and the use of advanced technology to prepare for the future. Specific eco-friendly features were also mentioned, such as installing photovoltaic systems on the roof and implementing an efficient heating and cooling system. These initiatives highlight Worwag Pharma's commitment to reducing its environmental footprint.

The responses also highlighted a distinction between the standards upheld at the company's headquarters and those at the production site in Lodz, Poland, where pharmaceutical manufacturing takes place. Given the pharmaceutical industry's reputation for strict regulations, Worwag Pharma's Lodz site diligently adheres to these standards to ensure the quality and safety of pharmaceutical products.

Moreover, one interviewee emphasized that top management, including the company's founder, personally visits CSR projects in various regions. This demonstrates a top-down approach to CSR implementation and underscores the commitment of senior leadership to these initiatives. It exemplifies a strategic approach to CSR, with leadership actively involved in driving and overseeing projects. Additionally, it was mentioned that there are future plans to expand CSR efforts by installing photovoltaic equipment at the Lodz production site. This reflects a forward-looking perspective, with the company actively exploring opportunities to enhance its CSR footprint in the future.

### **Theme 3: Measuring the Impact on Performance**

This part of the interview was a bit challenging for our interviewees as the actions taken by the company could not be quantified and there were no indicators as to whether these projects actually impacted the company financially or not. One interviewee mentioned how the

company tried to reduce the amount of air inside their packagings to reduce shelf space and therefore costs and the amount of packaging materials required.

Another point was that if you really ask the customer whether they are willing to pay a higher price for a product that might be life-saving just because it is vegetarian or eco-friendly, the answer was also no. The main target for pharmaceutical companies is HCP (Health Care Professionals), so basically a doctor will not be willing to recommend a medication to their patients that is higher in price solely because of sustainability.

One interviewee highlighted how heavily regulated the industry is by health authorities which directly impacts their pricing strategies and the materials they use whether in the products themselves or the packaging. One person even said that sometimes you have too much text that you need to put on the packaging so subsequently the package must be big enough to fit, and that it determined by the local authorities, and if you do not respect that, you are not able to go on the market. Maybe they have a little bit more freedom when it comes to the construction of their buildings, which Worwag Pharma designed to be as sustainable as possible, not only for external perceptions but also for the comfort, awareness-raising, and convenience of their own employees.

#### **Theme 4: Challenges, Opportunities & Future Directions**

This part of the questionnaire had really different opinions from our respondents, however, they all agreed that the main challenge for the company is its size and the regulations adopted by health authorities in the countries in which they operate. Even though the industry is heavily regulated and firms do not have much space to do things differently on their own, some of the interviewees think that the company can have more opportunities to develop its strategies if it starts externally promoting its existing CSR practices.

Worwag Pharma has been building schools and supporting local communities through youth's access to education, however nothing is being promoted externally or talked about in local media for example. The company does not even sell its products in the countries where they have social projects.

One interviewee mentioned that she was being reached out to by some other NGOs asking for some support but they were unfortunately denied as the company's top management would like to focus more and put their funds into the projects they are already working on.

In terms of environmental sustainability, the company has already considered many factors when constructing its new building which was recently inaugurated through the reduction of energy consumption, recycling, and access to electric vehicle charging stations. . However, as the company grows bigger, there should be a focus on strategies to reduce and annually disclose its CO2 performance as well as identifying the environmental risks and potential hazards associated with the development of APIs (Active Pharmaceutical Ingredients).

## **5.2. Case Study of Worwag Pharma:**

- **The Application of CSR:**

According to Graafland et al. (2004), there are numerous areas where companies can actively participate in Corporate Social Responsibility (CSR). In the following table, we can identify these CSR engagement areas and explore the corresponding activities carried out by Worwag Pharma in these domains.

<b>Theory</b>	<b>Worwag Pharma</b>
Environmental Protection	Photovoltaic systems on the roofs in the HQ, efficient heating and cooling systems, eco-friendly equipment in the production site.
Philanthropy	Africa school-building projects
Involvement in Social Causes	NGOs that help women and youth in Germany.
Urban Investments	-
Employee Schemes	Ergonomic Workplace

**Table 3:** CSR engagement areas & Worwag Pharma

As depicted in Table 3, it's apparent that CSR activities within companies nowadays tend to revolve around several key areas. These include:

- Environmental stewardship (for instance, efforts to reduce emissions, minimize waste, and promote recycling)
- Charitable initiatives (such as contributions to nonprofit organizations)
- Engagement in societal causes (encompassing a wide range from human rights advocacy to youth support)
- Community investment (collaboration with local authorities to revitalize small businesses and urban environments)
- Employee welfare programs (such as robust occupational health and safety measures, fair staff treatment, and flexible work arrangements)

For many years, the Wörwag family and Wörwag Pharma have been supporting projects led by Herrnhuter Missionshilfe (Moravian Mission). These projects involve setting up vocational schools in different parts of the world and ensuring their sustainability. Even after

students graduate, these schools stay connected with local businesses to help students find jobs.

The Wörwag family got involved in this cause around the year 2000. A family friend became a pastor with the Moravian Mission in Tanzania and started overseeing various projects there. The Wörwag family decided to financially support these projects. They saw that even small investments could make a big difference in these areas, so they continued their support.

Vocational training is crucial in Africa because it gives young people a chance to get good jobs or start their own businesses, helping them escape poverty.

Recently, they supported the construction of a new vocational school in western Tanzania, one of the poorest regions in the world. This school focuses on training plumbers, electricians, and offering computer and business administration courses.

- **Education & Development in Africa:**

The annual Taza Report has been successfully delivered to its intended recipients. Each autumn, the company distributes this report to their valued customers and partners in Germany. Its purpose is twofold: firstly, to bring attention to the various projects they actively support, and secondly, to extend an invitation for contributions and donations.

As a brief reminder, more than two decades ago, Wörwag Pharma, the Wörwag family, and Herrnhuter Missionshilfe united their efforts to enhance educational opportunities in multiple African nations. Their most recent initiative involves the construction of a vocational school in Zanzibar, which is presently underway.

- **Commitment by Worwag Pharma:**

Wörwag Pharma, along with the Wörwag family and the Herrnhuter Missionshilfe (Moravian Mission Society in Germany), has been dedicated to improving educational opportunities in

various African countries. Their successful efforts in Tanzania and Zambia include support for numerous vocational schools.

Now, they're actively involved in building a new vocational school in Zanzibar. In August, a groundbreaking ceremony marked the beginning of construction for a hotel management vocational school. Once completed, this school will provide training in various aspects of the hotel industry, including service, reception, catering, and housekeeping.

Several hotels, the Zanzibar Association of Tourism Investors (ZATI), local NGOs, and the Vocational Training Authority (VTA) are interested in collaborating with the school. Zanzibar boasts more than 650 hotels of varying standards, but there's a shortage of trained local personnel to support the growing tourism sector.

Currently, over 70 percent of those employed in tourism come from other regions or neighboring countries, which means little money benefits the local Zanzibari population.

With the new vocational school set to open in early 2023, this situation is expected to change. The school's goal is to equip locals with the skills needed for employment in the hotel industry.

The hotel management school is being specially designed with a floor area of 410 square meters. Wörwag Pharma is fully supporting this project by covering all construction and equipment costs. The project is anticipated to bring positive change and opportunities to the people of Zanzibar, and everyone involved is eagerly awaiting the completion of the school building.

- **Revitalizing Mukachevo District Hospital: Enhancing Capacity and Patient Care**

Built back in 1853, the Mukachevo district hospital has been grappling with capacity issues and outdated infrastructure. Despite diligent efforts to maintain cleanliness, the hospital faces

a myriad of challenges, from malfunctioning doors and leaking taps to a shortage of vital medical equipment, beds, and wheelchairs.

A renovation project for the hospital's fifth floor had to be halted due to the war. Dr. Mesko, the hospital's director, is now looking to HOPE e.V. for assistance in completing this crucial endeavor.

Worwag Pharma's charitable donation is poised to make a significant impact. The plan entails the transformation of the fifth floor into two specialized units: a pediatric ward and a cardiovascular ward, each equipped with a shared operating room and an intensive care unit.

In addition to standard patient rooms, the renovation will incorporate spaces for examinations, therapies, as well as offices and workrooms for staff members. Approximately 80 rooms are slated for creation. Thanks to a secure power supply and the complete allocation of the 250,000 € donation to the renovation project, a generator initially planned for spring has been canceled. With architectural plans in hand, renovation work is set to commence in August.

- **Sustainability at Worwag Pharma: What is Sustainability**

Sustainability, as per the German dictionary Duden, is defined as "a long-lasting effect" and a "principle ensuring that we don't consume more than can be regenerated or made available again in the future."

This definition emphasizes that sustainability encompasses more than just environmental concerns. For companies, it encompasses various critical aspects, including employee and customer loyalty, transparency in operations, and fostering positive relationships within the local community. These aspects align with the United Nations' Sustainable Development Goals and Germany's Sustainability Guidelines for the Chemical and Pharmaceutical Industry.

- **Why and How does Worwag Pharma talk about Sustainability:**

The company emphasizes that it is anchored in their corporate values: “We are responsible! Responsible for our employees, our customers and our environment.” And health is also sustainable: As a company, it ensures that all employees enjoy a healthy working environment. With their products, they improve or maintain the health of their customers. And with their actions, they help protect the health of their environment. they already do all this and now the company want to raise awareness of it within the organization by talking about it.

- **The Sustainability Check:**

As a crucial initial step, the management, directors, and corporate communications team conducted a sustainability assessment aligned with Chemie<sup>3</sup>, the sustainability initiative of the German chemical and pharmaceutical industries. This self-assessment tool helped Worwag Pharma understand their sustainability standing and identify necessary adjustments. Their findings, which align with the United Nations' Sustainable Development Goals, pinpointed three key areas: WPO, Operations, and Human Resources. The company acknowledges that these areas require their attention, and they've already initiated projects within them. Their focus on HR work aligns with United Nations Sustainable Development Goals, particularly those related to gender equality and decent work and economic growth. Moving forward, the company aims to share success stories from the organization and encourage all colleagues to actively engage with the topic. They invited everyone to contribute ideas, suggestions, and stories that can benefit other departments and further their sustainability efforts.

- **Biofactor Research Support:**

In its commitment to advancing scientific research, Wörwag Pharma has presented the 10th Fritz Wörwag Research Prize. This prestigious award, which comes with a €10,000 prize, aims to recognize groundbreaking research in the realm of biofactors. Its focus in 2021 was on "Biofactors in diabetes and its comorbidities." The recipient of this esteemed award was Dr. Alexander Strom from the German Diabetes Center (DDZ) at Heinrich Heine University Düsseldorf. He was honored for his pioneering work, which delved into the nerve-damaging effects of magnesium deficiency in diabetes mellitus. During the award ceremony in Frankfurt am Main, an independent scientific panel commended Dr. Strom and the Research Group Neuropathy at DDZ for their innovative, rigorous, and methodically intricate research, which holds therapeutic significance. Additionally, a special lifetime achievement award was presented to Prof. Dr. med. Klaus Kisters. This accolade, also accompanied by a €10,000 prize, recognizes his extensive research contributions in the field of biofactors, with a particular emphasis on magnesium. Prof. Kisters' remarkable body of work is evident through numerous publications and his active involvement in expert associations.

The objective behind this award, initiated by Dr. Fritz Wörwag, the founder of the company, is to provide motivation and backing for researchers engaged in biofactors research. The selection of recipients is determined by an impartial panel of scientific experts.

- **CSR Engagement & Financial Performance at Worwag Pharma:**

According to McGuire et al. (1988), the relationship between CSR engagement and financial performance sparks various arguments. Sarbutts (2003) posits that CSR can influence a company's reputation, subsequently impacting financial performance. Balabanis et al. (1998) elucidate that companies undertake CSR primarily out of self-interest, believing it enhances their corporate image and, consequently, financial performance.

McGuire et al. (1988) delineate three possible effects of CSR engagement on financial performance: negative impact, positive impact through internal enhancements, or positive impact through cost reduction. Sarbutts (2003) stresses the critical importance of the timing of CSR engagement, considering that societal and political values continually evolve. Furthermore, McGuire et al. (1988) suggest that the financial outcomes of a company's CSR involvement hinge on how and why the company engages in CSR. They propose that a company can perceive CSR as a conventional investment aimed at enhancing overall performance. However, they also contend that not all companies pursue CSR solely to bolster financial performance.

Wörwag Pharma reports a significant increase in their revenues and interest in their products, although attributing it solely to their CSR initiatives remains challenging to ascertain. The company acknowledges that their CSR involvement is still in its initial stages, with only a sticking to a few projects and with only a limited number of stakeholders aware of their efforts. Presently, communication regarding their CSR activities has been limited to the company's newsletters and website. However, Wörwag Pharma has ambitious plans to enhance public communication and outreach regarding what activities they do to benefit society once their CSR initiatives are fully operational, considering it an integral part of their strategy.

### **5.3. Benchmark with other Medium-sized Pharmaceuticals in Germany:**

- **Bionorica SE:**

Bionorica SE is a German medium-sized pharmaceutical company based in Bavaria. This is a good example to use since it has a comparable size with Worwag Pharma, both are family-owned and German, so the same regulations apply to both of them, and they sell similar products when it comes to pain-related issues.

We will now discover the key aspects in which Bionorica compares to Worwag Pharma.

➤ **Energy Consumption:**

To cut down on energy use, the company carried out a notable project at its main facility in Neumarkt during the 2021 reporting period. In the production area, they upgraded two ventilation and heating, ventilation, and air conditioning systems (HVAC). These systems now automatically switch to a more energy-efficient mode on weekends, thanks to a technical upgrade managed by a timer. This change saves a significant amount of electricity - specifically, 191,360 kilowatt hours (kWh) each year.

To put that into perspective, according to the 2021 "Stromspiegel" statistics sponsored by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety, the average 4-person household in Germany uses around 4,000 kWh per year. So, the yearly electricity savings from this project is roughly equivalent to what nearly 50 such households would consume. Furthermore, they also updated the lighting technology in their high-bay warehouse in Neumarkt. This shift has led to an annual electricity savings of 45,453 kWh since the 2021 reporting year.

➤ **Waste Management:**

The waste-related impacts at Bionorica SE primarily involve chemical residues, which are disposed of through thermal recycling in a hazardous waste incinerator located near their company headquarters. These chemicals are essential for maintaining the cleanliness of all their manufacturing facilities, and their usage aligns with the standards of Good Manufacturing Practice (GMP). Additionally, they are constantly making efforts to recover energy from residual waste and non-separable composite materials. These impacts are a direct result of the organization's activities, especially in the production of medicinal products.

➤ **Emissions:**

When calculating greenhouse gas emissions in CO2 equivalents, the company utilized data from the base year 2019. This year was selected as it marked the initial CO2 report prepared for Bionorica in collaboration with an external service provider. The observed decrease which is at - 40% in direct GHG emissions between 2019 and 2021 is attributed to a substantial reduction in diesel consumption by the Bionorica fleet, a change influenced by the impacts of the coronavirus pandemic. Additionally, it's worth noting that the 2019 calculation relied on EcoCockpit, whereas the 2021 calculation utilized DEFRA. This shift to DEFRA resulted in more precise and updated baseline values for our emissions assessment.

➤ **How do they compare?**

Even though the company chosen for comparison with Worwag Pharma is of similar size and products, we can see differences in their CSR activities. Bionorica SE is specialized in phytopharmaceuticals, which are medicines derived from plants, that's why we notice there is a bigger emphasis by the company on environment-related initiatives compared to Worwag Pharma.

→ **CSR Reporting:**

It's essential to acknowledge a gap in Worwag Pharma's current approach, specifically in the systematic reporting and promotion of its CSR endeavors. In contrast to its direct pharmaceutical competitors like the case of Bionorica SE, Worwag Pharma does not currently maintain an extensive, structured CSR reporting framework. This absence of a dedicated reporting mechanism can pose challenges for stakeholders, including investors, employees, and the wider community, seeking a comprehensive view of the company's CSR initiatives.

Establishing a more robust reporting system would help transparently communicate the objectives, progress, and impact of Worwag Pharma's CSR initiatives.

Moreover, Worwag Pharma's promotion of its CSR activities is relatively subtle compared to its industry peers. The company has not fully harnessed the potential benefits of active promotion, such as enhancing brand reputation, attracting socially conscious investors, and fostering greater stakeholder engagement. By not proactively publicizing its CSR endeavors, Worwag Pharma might be overlooking opportunities to amplify its positive social contributions and establish a reputation as a responsible corporate entity.

The absence of robust reporting and promotional initiatives in CSR activities can influence how Worwag Pharma is perceived within the broader corporate landscape. It may limit the extent to which the company receives recognition for its contributions to society and might not fully capitalize on the potential synergies between its business operations and social responsibility objectives.

On the other side, Bionorica SE has succeeded in implementing a Sustainability Report to inform and update their stakeholders on how socially conscious and invested the company is in making its community a better place. Its report contains information about the company's initiatives ranging from Social like code of conduct, principle and values, to Environmental like materials, energy, water, emissions, and its environmental certificates, to also talk about the Economical aspect which encompasses climate change's effects, cultivation and supply chain, taxes, and customer health and safety.

Although Bionorica has not reported any impact on its financial performance, the company obviously has a competitive advantage on Worwag Pharma.

**→ Eco-friendly Solutions:**

Worwag Pharma has embraced a multifaceted approach to environmental sustainability, demonstrating its commitment to responsible corporate citizenship through a range of eco-friendly initiatives. While the company's history of CSR reporting may not be extensive, its

dedication to eco-conscious practices is evident through various endeavors aimed at reducing its environmental footprint.

Worwag Pharma places a strong emphasis on energy efficiency across its operations. The company has made noteworthy investments in state-of-the-art energy-efficient technologies, resulting in significant reductions in energy consumption within its facilities. Additionally, Worwag Pharma harnesses the potential of renewable energy sources to supplement its energy needs. This includes the installation of photovoltaic systems on facility rooftops, which not only curb the company's carbon emissions but also underline its commitment to sustainable energy practices.

While Worwag Pharma has implemented strategies only when it comes to energy consumption, we can notice how Bionorica has taken a further step by reducing their emissions through the use of new technologies. It has also done more when it comes to waste management to keep the community safe, as well as its use of technology to reduce its energy consumption and document it.

→ **Social Initiatives:**

Worwag Pharma's dedication to social responsibility goes beyond its business borders. The company is deeply involved in impactful social projects, both globally and in Germany. These efforts emphasize Worwag Pharma's commitment to making a real difference in people's lives and communities.

One of Worwag Pharma's major social initiatives centers around education in Africa. The company understands the power of education to bring about positive change and empowerment. In this endeavor, Worwag Pharma builds schools in disadvantaged parts of Africa, with a special focus on Tanzania and Zambia. These schools provide quality

education to children who might not otherwise have access to it. The company also actively collaborates with these communities, fostering a spirit of teamwork.

Worwag Pharma extends its commitment to social responsibility to its local German community. The company partners with NGOs and charitable groups in Germany, particularly those working to support women and youth. Through financial support and volunteering, Worwag Pharma contributes significantly to these organizations' goals. Whether it's backing programs for women's empowerment or youth development, the company values being actively engaged with its community to help them thrive.

Worwag Pharma ensures transparency and accountability in its social initiatives. While the company may not have extensive CSR reports, it ensures that the resources it allocates to these projects are used effectively. Worwag Pharma takes its responsibility seriously, aiming to make the most positive impact possible with the resources it invests in these charitable causes.

While Bionorica SE has succeeded in implementing different strategies when it comes to other areas related to sustainability and corporate awareness, it did not report any activities that benefited local non-governmental organizations or people in need in other regions of the world. Worwag Pharma however, has done more for local communities, access to education, and employment support not only to German communities, but also beyond Europe.

## **6. LIMITATIONS:**

This report aims to offer an extensive evaluation of Worwag Pharma's CSR and social initiatives. However, it's important to acknowledge inherent limitations that affect the scope and depth of this study. These constraints impact our ability to comprehensively assess the company's commitment to corporate social responsibility. In the subsequent section, we will transparently address these limitations, understanding that they have influenced the

thoroughness of our analysis and the depth of our findings. It's crucial to bear these limitations in mind when interpreting the results and conclusions presented in this report.

- **Data Availability:**

This study faces a challenge related to data availability. Access to comprehensive and current information about Worwag Pharma's CSR and social initiatives might be constrained due to the company's disclosure practices. This limitation can affect the thoroughness of the analysis and the capacity to present a full picture of these initiatives.

- **Bias:**

Like any case study, there's a potential for bias in data collection and analysis. This could arise from the viewpoints and experiences of those involved in the study, as well as the researcher's own preconceived notions.

- **Time Constraints:**

Carrying out a thorough case study within a limited timeframe might constrain the depth and breadth of the analysis. Certain aspects of Worwag Pharma's CSR initiatives may not receive as detailed exploration as in a more extensive study.

- **External Factors:**

The effectiveness and impact of Worwag Pharma's CSR and social initiatives could be influenced by external factors beyond the company's control. This may include changes in regulations, economic conditions, or shifts in stakeholder expectations.

- **Influence of Company Representatives:**

Information provided by company representatives during interviews or through provided materials may reflect the official stance of Worwag Pharma. It's important to acknowledge that these perspectives might be tailored to present the company's initiatives positively.

- **Language and Cultural Considerations:**

If the case study involves interactions with individuals from diverse linguistic or cultural backgrounds, there may be some miscommunication that could affect data collection and interpretation.

## **7. RECOMMENDATIONS & CONCLUSION:**

### **7.1. Recommendations:**

Recognizing the ever-changing reality of corporate social responsibility in this current international landscape, and to catch-up to its same-sized competitors, and driven by a strong commitment to making a positive difference in society, Worwag Pharma has shown readiness and willingness to enhance its CSR efforts in the future. To achieve this goal, a series of strategic recommendations have been formulated, each aimed at expanding the scope and impact of the company's CSR endeavors.

- **Enhanced CSR Reporting:**

After noticing how Worwag Pharma does not have CSR reports in place, the company should consider implementing a comprehensive CSR reporting system to show their initiatives' impact. This can help the company improve its transparency and credibility, as well as attracting stakeholders who value detailed disclosures.

- **Stakeholder Engagement:**

Through my interview with company employees, we noticed that there was a deep misunderstanding and lack of awareness about CSR itself and what the company is doing. This is why the company should strengthen engagement with stakeholders not only internally but also externally. The company should reach out to its employees, customers and communities to request feedback on its CSR initiatives and make sure they are aligned with their needs and expectations. This does not only enhance the effectiveness of their initiatives, but also to foster a stronger sense of involvement among their stakeholders.

- **Develop Impact Metrics:**

As we saw for Bionorica SE, the company has been measuring and tracking how much energy they consumed and saved thanks to their strategies, Worwag Pharma, despite the lack of CSR reporting within their strategy, needs to develop and implement Key Performance Indicators (KPIs) for their CSR initiatives. This can enable them to track and measure the environmental and social impact of their activities more effectively. It can be served as evidence of their commitment to their stakeholders.

- **Cross-Functional Collaboration:**

The firm should encourage their employees across all divisions to engage in and integrate CSR into their operations. Engaging different departments with their expertise, skills and meaningful ideas in sustainability efforts, from purchasing department to marketing to medical in order to ensure a holistic approach.

- **Circular Economy Practices:**

Worwag Pharma should start conducting research on what its competitors are doing in order to explore circular economy practices with the pharmaceutical industry, specifically in

Germany since they abide by the same regulations. The initiatives can include waste reduction strategies, promoting recycling of hazardous and harmful materials especially within its production site, and working on minimizing the environmental footprint of the production of their products.

- **Collaboration with more NGOs:**

Throughout our study, we have noticed how Worwag Pharma has been putting its focus solely on a couple NGOs in Germany and the school-building projects in Zambia and Tanzania. One of our interviewees even confirmed that there were contact by other people for support to other projects but their request was denied as the company wanted to allocate its funds and efforts into the projects they're already pursuing. However, we recommend that the company should work on collaborating with more NGOs like those who offer scholarships to low-income students to pursue their education in Germany, or those who fight homelessness, or even those who raise awareness about diseases. This can help the company leverage their expertise and resources into doing more for a large community.

- **Promoting CSR activities:**

One very area we noticed throughout our study is that there was a huge lack of communication and promotional activities about what the company is doing, especially to external stakeholders. We had difficulties measuring the impact of CSR on the performance of the company because they did not promote their activities, thus there was no increased brand reputation or awareness. Worwag Pharma should start conducting marketing campaigns by integrating CSR messages and achievements, including the certifications, into their product packaging, campaigns and marketing materials. The company has been setting goals for an increased revenue and market share to the point where they got oblivious of how to get there, which is through brand reputation, customer satisfaction and awareness. I believe it is also

important to organize and participate in local community events to engage directly with the community and showcase their commitment to making a difference. Employee advocacy is also a crucial factor. By providing resources and trainings to make their employees advocates of CSR both within and outside the company, Worwag Pharma can improve its overall image to investors, customers, and the pharmaceutical industry.

- **Adopting New Technologies:**

Bionorica SE has implemented technologies to monitor and reduce their emissions, waste, and energy. We recommend that Worwag Pharma should allocate funds to invest in new technologies like energy-efficient machinery which come with energy-saving features, including variable frequency drives and automated shutdowns during idle periods to help the company reduce its energy consumption and carbon emissions. While the company has photovoltaic systems in place already at both the HQ and production site, they should include investing in water recycling and purification systems to minimize water use and waste. Cooling systems should also be considered in their strategy by installing cooling systems that use eco-friendly refrigerants as well as efficient heat recovery systems to store and re-use the heat generated during production for other purposes.

## **7.2. CONCLUSION:**

Through this thesis report, we have gone on a journey into the realm of Corporate Social Responsibility (CSR), emphasizing its significance for small and medium-sized enterprises (SMEs). As we conclude this expedition, we stand at the crossroads where ethical business conduct converges with the potential strategic benefits derived from a carefully integrated CSR strategy.

In the constantly changing pharmaceutical industry, Worwag Pharma, despite its size and limited resources has shown an interest and commitment to certain aspects of Corporate

Social Responsibility (CSR) that goes beyond the conventional concerns of profit and loss. Over the course of this extensive investigation, we have delved into the various facets of Worwag Pharma's CSR endeavors. These include environmental sustainability, supporting social causes beyond the European borders, and adopting technology to help it with its goals.

CSR provides companies, whether small or large, with a framework to structure and achieve their sustainability goals and values. When integrated into a company's core values, rather than added as a mere risk reduction measure, CSR can set businesses apart from their competitors. This differentiation brings advantages across various sustainability dimensions, including increased sales and market share economically, and a reduction in negative impacts and an increase in positive impacts environmentally and socially. Small and medium-sized enterprises (SMEs) are well-positioned to embrace strategic CSR due to their typical management and organizational structures. The integration of CSR values often has a shorter distance to travel in SMEs compared to larger corporations. SME owners are typically involved in daily operations and are often members of local communities, making it more efficient to align company values with societal values. However, it's important to acknowledge that SMEs may have limited budgets for dedicated CSR programs. Therefore, they must purposefully identify areas where they can make the most significant social or environmental impact. Whether focusing on internal factors like employee well-being and safety, external factors such as community engagement and philanthropy, or an integrated approach that aligns sustainability with the company's core offerings, SMEs should aim to meet their legal, ethical, voluntary, and economic responsibilities. While it may be challenging, especially for such a heavily-regulated industry like the pharmaceutical industry, the systematic implementation of a CSR strategy is crucial for the long-term sustainability and profitability of the company, recognizing the value of healthy societies.

In a world facing complex challenges, small and medium-sized enterprises (SMEs) emerge as vital contributors to building sustainable societies. This thesis serves as a compelling call to action for SMEs, urging them not only to recognize their potential but also to take decisive steps. By embracing Corporate Social Responsibility (CSR) as a strategic tool and deeply integrating it into their everyday operations, SMEs can chart a path toward lasting success. In summary, this thesis has navigated the intricate terrain of CSR, showcasing its transformative potential for SMEs. Looking forward, we envision a future where SMEs, guided by values of responsibility and sustainability, assume central roles in constructing not only prosperous businesses but also vibrant communities and a better world for all.

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## APPENDIX 1

The following is an interview guide that is a part of my research study with the objective of assessing and evaluating the implementation and impact of CSR practices within “Worwag Pharma”.

1. How familiar are you with the concept of Corporate Social Responsibility (CSR)? Can you briefly describe your understanding of it in the context of our company's operations?
2. From your perspective, how important do you think CSR practices are for our pharmaceutical company's overall success and reputation? Do you believe they have an impact on performance?
3. In your role, have you encountered any CSR initiatives or practices that our company has undertaken? Can you provide some examples of these initiatives?
4. Do you think that the implementation of CSR practices might impact how our products are perceived by customers and stakeholders?
5. How do you believe CSR practices can influence our relationships with various stakeholders, including customers, employees, regulators, and the local community?
6. From your perspective, how do you think our CSR efforts are communicated to the public and stakeholders? Do you believe effective communication of CSR practices could play a role in enhancing our financial performance?
7. In your opinion, what are some potential benefits and risks associated with incorporating CSR practices into our operations? How might these aspects influence the financial performance of our pharmaceutical products?