

Firm, stakeholders, value dynamics and social economic progress. The case of the Spanish pharmaceutical industry

Turon i Dols, Pau

Abstract

Stakeholder theory has scarcely dealt with value dynamics. The way the firm creates value is the first step of a two phase cycle. The second step is the distribution (appropriation) of the created value to the stakeholders. As a consequence the value dynamics is a central factor in order to understand the relationship between firm and stakeholders through time and how these relationships condition the social economic progress of society. The Spanish Health care sector has been used as a framework for the study of these dynamics, particularly putting the focus on the effect of the main stakeholder, the Spanish public sector, in its role of customer and regulator simultaneously. Using its power and its capacity of influence it has been able to change the value dynamics capturing a significant part of the value created by the firms. In the second chapter we have analyzed in depth the relationships between firm and stakeholder in a pin factory study focusing the attention on a multinational firm that operates in this market. The particular characteristics of the stakeholders involved allow the study of the value dynamics at a level of detail that has not been achieved in the past, to our knowledge. The dynamics of influences between firm and stakeholders have also been studied, taking as a reference Frooman's model (1999) and its four propositions. A new methodology has been developed through an economic approach. It can be applied using quantitative data. Five hypotheses have been formulated and contrasted statistically with data coming from the Spanish pharmaceutical industry. We find strong empirical support for Frooman's model. Finally, the fourth chapter is about social economic progress. As the Nobel Prize winners Joseph Stiglitz and Amartya Sen and Professor Jean-Paul Fitoussi (Stiglitz, Sen and Fitoussi 2009) concluded, measures of social progress are often confused with measures of economic performance, such as GDP. The purpose of this chapter is to develop a concept and a measure of social economic progress that integrates the economic and social aspects. The concept is inspired by Davis (1947), an early precursor of stakeholder theory. We develop an analytical framework where social economic progress and its components can be measured together with the social responsibility of the firm and its sustainability.