

Role of Corporate Social Responsibility in Health Care Industry

Abstract

This paper examines the role that corporate social responsibility can play in health care services. Corporate social responsibility is the integration of social and environmental concerns within business operations. The author discusses how corporate social responsibility can help hospitals and provide suggestions to hospitals in deciding which corporate social responsibility initiatives to pursue.

Keyword: Corporate Social Responsibility, Health Care Industry.

Introduction

The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development.¹

Concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a concept that has many different meanings and definitions. The way it is understood and implemented differs greatly for each company and for each country. The idea of CSR first came up in 1953 when it became an academic topic in HR Bowen's 'Social Responsibilities of the Business'. Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition.² CSR has been defined by the World Business Council for Sustainable Development (2000) as: "The continuing commitment by business to behave ethically and contribute to economic social development while improving the quality of life of the workforce and their families as well as the local community and society at large"³

Corporate Social Responsibility Voluntary Guidelines 2009

In order to assist the businesses to adopt responsible governance practices, the Ministry of Corporate Affairs has prepared a set of voluntary guidelines which indicate some of the core elements that businesses need to focus on while conducting their affairs. These guidelines have been prepared after taking into account the governance challenges faced in our country as well as the expectations of the society. The valuable suggestions received from trade and industry chambers, experts and other stakeholders along with the internationally



Nidhi Aggarwal
Ex-Research Scholar,
University Business School,
Panjab University,
Chandigarh.

prevalent and practiced guidelines, norms and standards in the area of Corporate Social Responsibility have also been taken into account while drafting these guidelines.⁴

Fundamental Principle

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

Core Elements

The CSR Policy should normally cover following core elements:

1. Care for all Stakeholders

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2. Ethical functioning:

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

3. Respect for Workers' Rights and Welfare

Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

4. Respect for Human Rights

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.⁵

5. Respect for Environment

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

6. Activities for Social and Inclusive Development

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

Role of CSR in Health Care Industry

There are many reasons why it pays for companies, both big business and SMEs (small and medium enterprises) to be socially responsible and be conscious about the interest of the key stakeholders. The healthcare industry has a variety of challenges that the average person may not fully understand. Issues such as stringent regulatory compliance, intense labor shortages in nursing, increased and costly technological advancements, implementation of international quality standards and substantial community dependence make this industry one of the most operationally difficult. Hospitals have to work harder than other industries to win and retain that trust while coping with the operational challenges.

CSR could play a major role in this context by highlighting the performance of the hospital in a transparent and sincere way and result in better understanding from the community about the above mentioned challenges that this sector faces.⁶ Moreover, CSR will help the healthcare sector to elaborate on social issues that could serve to improve their images and enhance the stakeholder engagement by making their performance indicators available to public.

Role of New CSR Act in Health Care Sector

With the corporate affairs ministry making it mandatory for companies to invest 2% in corporate social responsibility (CSR) projects, companies will have to invest in good projects rather than make a casual spending, said Bhaskar Chatterjee, director general and CEO of Indian Institute of Corporate Affairs (IICA). Chatterjee was speaking at the plenary session of a three-day conference, organized by HLL Lifecare Ltd along with IICA and the National AIDS Control Organisation (NACO).

According to him, the section 135 of Companies Act 2013 ushers in a new regulatory stance towards CSR in India with about 16,000 companies in India now required to comply with its mandatory provisions. "This can translate into a total annual CSR spend of approximately Rs 20,000 crore."⁷ The new law has become mandatory for companies to have three members of their director board be responsible for the CSR project. One of the directors should be an independent member.

How Does CSR Create Value?

Corporate ethics, social responsibility, and social responsiveness are all somewhat similar terms used when considering the role organizations play regarding societal needs and expectations.⁸ CSR aims to strike a balance between an organization's growth and its responsibility to add value to society. Some argue that CSR should be framed within the context of all business responsibilities including economic (be profitable), legal (obey the law), ethical (do what is right, just, and fair), and philanthropic (be a good corporate citizen and contribute to the community).⁹ These 4 elements do not conflict with one another. However, the academic arguments and evidence on the benefits of CSR to financial performance is mixed.¹⁰ Activities supporting social responsibility seldom see short-term payoffs.¹¹ Rather, the financial and societal benefits should be organized as short, medium, and long-term outcomes. Simply put, management resources are used at the expense of immediate economic payoffs. To

reduce conflict between economic and societal responsibilities, Porter and Kramer have organized CSR initiatives into 3 categories—(1) “generic social issues”: issues that are socially important but less likely to be affected by operations of business corporations and have little substantial effects from long-term competition; (2) “value chain social impact”: social effects seen from the corporate side as social issues that can be significantly affected by very ordinary business activities in the course of regular business process; and (3) “social dimensions competitive context”: social issues that affect the competitiveness in the region where business is conducted.¹²

Benefits of CSR to Health Care Industry

Getting License to Operate– from Key Stakeholders not Just Shareholders

The private sector is gaining a much bigger role and responsibility for economic development globally. This responsibility is not limited to economic issues but must also include social and environmental contribution. Hospitals that fail to recognize this responsibility are at the risk of being denied the social acceptance that comes from the community. Without this acceptance, hospitals can never function in a profitable and sustainable manner.

Reputation Management

Reputational risk is considered as one of the most crucial threats facing an organization and is even more critical for a hospital. This includes risks not only to loss of patients, but goes beyond to hospital itself, and may even impact the whole industry. In case of a reputational crisis involving the hospital, the consequences could be huge in terms of lost trust, legal costs and patient loyalty. A damaged reputation might require years to rebuild and cost a large sum of money. A hospital which has a sound CSR mechanism and a history of exceptional service to society and environment often does not suffer as much as a hospital with no CSR plans, in the incidence of a reputation crisis.

More Efficient use of resources

Utilization of a holistic CSR framework in hospitals can result in higher efficiency in operations, for instance, improved efficiency in the use of energy and natural resources can result in substantial cost savings. A better waste management system will not only reduce the amount of waste but will also ensure its safe disposal.

Enhanced patient loyalty

Patients need to be able to trust a hospital in order to recommend it to someone. Trust is probably the most valuable currency in the healthcare industry and it doesn't come easy. In order for hospitals to earn patient trust and loyalty, they need to go beyond healthcare services and create an emotional bond with the patient through ethical business practices. Patient loyalty goes a long way in contributing towards sustainable business growth of a hospital.

Increased Ability to Attract and Retain Quality Employees

There is clear evidence linking the employee morale and loyalty to the social performance of the company. This is especially vital in the case of a hospital. If a hospital employee continually witnesses

violation of ethical norms in the hospital, he or she would not want to be involved with that hospital.

Responsible Competiveness

When competitors adopt less costly but not socially responsible and ethically sound healthcare solutions, a hospital should take advantage of this challenge and explore new innovative and green solutions. This raises the barriers to entry and will make CSR as the industry norm with your company being the pioneer.

Attracting Investors and Business partners

Investors no more only rely on financial data but also look at how a company deals with the relevant social and environmental issues. If a company is not prudent enough to pay any attention to these issues, with time it will lose credibility and no investor wants to invest in a company that has no credibility or stakeholder trust. In order for a healthcare service provider to attract investors who can fund their expansion, they need to focus on social, environmental and economic performance in addition to financial performance.

Governmental Support

A CSR program developed in accordance with the overall government direction can help the company win favors from the government. Many governments give financial incentives for sound CSR initiatives, including environmentally friendly innovations. Hospitals that demonstrate they are engaging in practices that go beyond regulatory compliance are being given massive support from governments in form of waivers and less scrutiny.

Improved Bottom Line

All of the above factors inevitably translate into better financial performance over the years

Some Lessons

1. In Healthcare industry, CSR is harder than normal industrial companies. CSR should not directly give benefits to company's growth or revenues in a relative sense. Customers are more judgmental towards healthcare companies when they are engaged in a social cause. Thus, CSR should not be considered as a PR show.
2. Regional and HQ operation is different in terms of CSR. Regional CSR strategies will have more impact on the society. This will work well in developing countries and may not work well in developed countries.
3. CSR, in general, will improve both internal and external relationships with different stakeholders around the company.

Conclusion

CSR is a potentially valuable area of strategic development for healthcare providers like hospitals. CSR is relevant and can be adopted by both for-profit and not-for-profit hospitals. It has the potential to strengthen the profile of the hospital in the community and to lead to improved financial and clinical performance. There are many potential areas for CSR activities related to hospitals' strategies or the communities they serve, but the conditions under which hospitals could or should take these activities on are much more limited. This is particularly true in largely publicly funded systems where healthcare providers engaging in CSR may actually be cross-subsidizing

government funded activities. Like balanced scorecards, CSR requires some translation before it becomes a widely used and helpful tool for managing strategy development and implementation. Integrating CSR into a hospital's strategy requires a good understanding of the competitive environment in which a hospital operates, the link with hospital goals, and particularly of the relative strengths of the organization and its current and potential partners. Thus, CSR should be linked tightly to a hospital's strategic planning and monitoring process. It should not be an add-on. These strategic considerations are not unique to the role of CSR, but they are critical to its use by hospitals where so much of the strategic scope for CSR may be better served by other partners. Thus, for hospitals, CSR may turn out to be as valuable a tool for identifying and structuring strategic partnerships as its more traditional role in setting strategic directions and evaluating corporate performance.

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