CHAPTER -2

BACKGROUND OF THE STUDY

2.1: Hospital – Definitions and Classification

Given their complex nature, the functions and characteristics that define hospitals differ vastly across countries. A broad definition of the World Health Organization (2014a) describes hospitals as “health care institutions that have an organized medical and other professional staff, and inpatient facilities, and deliver medical, nursing and related services 24 hours per day, 7 days per week”.

A more specific definition adopted by the OECD, characterizes hospitals as “licensed establishments primarily engaged in providing medical, diagnostic and treatment services that include physician, nursing, and other health services to inpatients and the specialized accommodation services required by inpatients. Hospitals provide inpatient health services, many of which can be delivered only by using specialized facilities and professional knowledge as well as advanced medical technology and equipment, which form a significant and integral part of the provision process. Although the principal activity is the provision of inpatient medical care they may also provide day care, outpatient and home health care services as secondary activities” (WHO 2011).

The specific tasks of hospitals may vary by country and are usually defined by legal requirements. In some countries, health care facilities need in addition a minimum size (such as number of beds and medical staff to guarantee 24-hour access) in order to be registered as a hospital” (de Roodenbeke 2012). For example, to register with the American Hospital Association, a hospital must “maintain at least six inpatient beds, which shall be continuously available for the care of patients… who stay on the average in excess of 24 hours per admission.” Other requirements include continuous supervision by nurses, pharmacy services, food service, and medical records (American Hospital Association 2014).

Hospitals can be categorized according to their functional level of care (primary, secondary, tertiary), administrative level of ownership (national, regional/city, district and local), size (number of beds), type of ownership (public or private), and a range of specialties (general health care or a single specialty). Differences in case mix and technical capacity differentiate hospital categories, but service range and levels of care can vary dramatically as well. Typically, to be categorized as a hospital, facilities need to have at least 10 beds.
HOSPITALS/HEALTH CARE ORGANIZATIONS:

- Formal institutions developed by the Society for patient care
- Intended to meet the complex health needs of its members
- Individual-sick or injured has access to centralized medical knowledge & technology
- Society-it protects the family from many of the disruptive effects of caring for the ill in the home and making the problems less disruptive for the society as a whole

At Present

- Hospital is a place for the diagnosis and treatment of human ills and restoration of health and well-beings of those temporarily deprived of these.
- Professionally & technically skilled people apply their knowledge and skill with the help of complicated equipment and appliances - to provide quality care for the patient

HOSPITAL ORGANIZATION

- A hospital is a multifaceted organization comprising many committees, departments, types of personnel, and services.
- It requires highly trained employees, efficient systems and controls, necessary supplies, adequate equipment and facilities, and, of course, physicians and patients.
- It is a business as well as a caring, people-oriented institution and it has a similar structure and hierarchy of authority as any large business.

There are different types of hospitals serving the multi-faceted needs of the society. There is a distinction in their structure, function and performance. This variation is due to their distinct nature and form. Classification of hospitals helps the managers or owners to manage in a better manner as there are many specialties in each type of hospital.

Classification on the basis of objectives

The first criterion for the classification is objective. Here the main objective of establishing a hospital is taken into consideration. Some hospitals are set up with the motto of imparting medical education, training and research facilities whereas in some other hospitals, the prime attention is on health care.
**Teaching-cum-Research Hospitals:** These hospitals are teaching based. They are found engaged in advancing knowledge, promoting the research activities and training the medicos. As, for example, All-India Medical Institute, New Delhi, Postgraduate Medical Education and Research Institute, Chandigarh, etc.…

**General Hospitals:** The general hospitals also offer teaching and research facilities, but these objectives are secondary. The main objective in the general hospitals is to provide medical care, for instance, different medical colleges and district and sub divisional hospitals.

**Special Hospitals:** The main objective of special hospital is to provide specialized medical services. These hospitals concentrate on a particular organ of the body or a particular disease. These are multispecialty / super specialty / critical care type of hospitals.

**Government hospital:** The government hospitals are owned, managed and controlled by the government, whereas the semi-government hospitals are found acting as an autonomous body.

**Private Hospital:** These types of hospitals are owned privately and have no government interference. They provide quality service to their customers. These hospitals are internally managed.
**Trust run hospitals:** These types of hospitals are under control of the trust and all the decisions related hospitals are taken by the trustees of the hospital.

**Classification on the basis of Medicine:** Allopathic, Ayurvedic, Homeopathic, Others

**Figure 2.5**

**Classification on the basis of Size**

![Diagram of hospital classification](image)

On this basis, there are variations in the size of the hospitals. As such, the teaching hospitals generally have 500 beds, which can be increased according to the number of students. The district hospitals generally have 200 beds, which can be raised to 300 depending on population. The tensile / Taluka / sub-divisional hospitals generally have 50 beds that can be raised to 100 depending on population. The primary health centers generally have 6 beds that can be raised to 10 beds.

Among the available variety of classifications of hospitals or Health Care Organizations the following one is considered for the present study.

**Table 2.3: COMPARING 3 TYPES OF HOSPITALS**

<table>
<thead>
<tr>
<th></th>
<th>TEACHING HOSPITALS</th>
<th>MULTYSEPECIALTY HOSPITALS</th>
<th>SUPERSPECIALTY HOSPITALS</th>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>According to Medical Dictionaries it is a hospital that also functions as a formal center of learning for the training of physicians, nurses, and allied health personnel.</td>
<td>These are the hospitals providing services in or Staffed by members of several Medical specialties</td>
<td>A super specialty hospital is defined as a hospital that is primarily and exclusively engaged in the care and treatment of the patients suffering from a specific illness. They offer specialized services to their</td>
</tr>
<tr>
<td>Employees</td>
<td>Along with doctors and nurses, it includes teachers with designations like Assistant Professor, Associate Professor, professors is employed.</td>
<td>Doctors who specialize in various areas like surgery, Gynecology, Pediatrics, Orthopedics etc., are employed.</td>
<td>Along with general physicians here majority of doctors is specialized in a particular category like Orthopedics or Pediatrics etc., Nurses and other employees are trained regarding the specialized services</td>
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<td>Examples</td>
<td>M S R Medical Collage and Research Center, KIMS, BGS Global Medical collage etc.,</td>
<td>Apollo, Fortis, Colombia Asia, etc.,</td>
<td>Health Care, Global (HCG), Vasan Eye care, Narayana Health (Cardiac Care), Cloud Nine etc.,</td>
</tr>
<tr>
<td>Rating/Accrediting bodies</td>
<td>NABH, NAAC, MCI</td>
<td>NABH</td>
<td>NABH</td>
</tr>
<tr>
<td>Activities</td>
<td>Teaching, Training, Diagnosis, Research and Patient Care</td>
<td>Diagnosis, Research and Patient Care</td>
<td>Diagnosis, Research and Patient Care</td>
</tr>
</tbody>
</table>


As it is observed that there are different criteria for the classification of type of health care organizations, but the Corporate Governance and CSR practices may or may not be same hence the present study is selected for research. This research attempts to identify the present practices and the issues involved in such practices relating to Corporate Governance and CSR practices.

### 2.2: RESEARCH QUESTIONS AND OBJECTIVES

Given the background of the study and overview of the research problem, there seems to be an urgent need and opportunity to study how Corporate Governance and CSR practices are
perceived in the health care sector. Hence the central research question to be addressed in this proposed study is

*How Corporate Governance and CSR practices are perceived in the health care sector and what kind of issues are affecting them?*

To answer above research question, this study aims at developing and testing a comprehensive research framework that elaborate the possible relationship existing between Corporate Governance, CSR, Clinical Governance and Organization Climate in health care organizations.

This objective is conceptualized into testable hypotheses in the subsequent chapters of this study. However, the proposed framework is presented in the following section to provide a summarized view of the research.

**2.3: PROPOSED CONCEPTUAL FRAMEWORK:**

Figure 2.6

Conceptual Frame Work of Research

The present study proposes primarily to study the relationship between Corporate Governance and CSR in health care organization. In this process it is observed that Clinical Governance and
Organization Climate play a major role in determining the said relationship. Hence this study proposed to cover:

- The concept of Corporate Governance and its applicability to Private health care organizations.
- Present status of Corporate Governance practices in Indian health care sector.
- The concept of Corporate Social Responsibility and why this is more expected from the health care sector.
- The concept of Organizational Climate and its influence on Corporate Governance in health care organizations.
- The importance of Clinical Governance and influence on Corporate Governance practices.

2.4: SIGNIFICANCE OF THE STUDY:

Previous literature on Corporate Governance explains concept either, as regulatory requirement or simply a measure to minimize corporate frauds. Also major focus was on Board of directors and their decisions on various aspects like investment, dividend etc. Out of various theories of Corporate Governance Stake holders’ theory is very less discussed. Other theories include Agency theory, stewardship theory, stockholder theory etc.,

This study is significant for three reasons i.e., Firstly Corporate Governance is explained as one of the strategy to manage organization rather than a regulatory requirement. Also a very less number of studies could be seen which connects Corporate Governance and Corporate Social Responsibility. Hence secondly, this study is significant as it attempts to explore the possibilities of direct or indirect relationship between Corporate Governance and Corporate Social Responsibility. Thirdly, it is significant because of the application of these concepts to health care sector. This study focuses on the issues and challenges connected to Corporate Governance and CSR practices. Major issues being identified here are Clinical Governance and Organization climate.
2.5: RESEARCH METHODOLOGY:

In the present research both qualitative and quantitative approaches have been adopted. Secondary data are collected from websites of health care organizations, books, newspapers etc., For primary data more than 20 health care organizations of Bangalore were approached while six organizations agreed to co-ordinate. This permission was obtained after ensuring health care organizations about their anonymity. Databases of hospitals were obtained from the Indian Medical Association, Medical Council of India (regional offices and websites) and YELLOW PAGES. Health care organizations were sorted as follows:

Figure 2.7: Selection of Health Care Organizations

Hospital database

Hospitals operating in Bengaluru city

Private hospitals

Teaching hospitals (2) Multispecialty hospitals (2)

Super specialty hospitals (2)

A structured questionnaire is was administered to the respondents for recording responses on Corporate Governance and CSR practices in one section and Clinical Governance in another section. Both set/part of questionnaire was circulated among all the respondents. The respondents broadly include Doctors (both resident and visiting), Nurses, Heads of the departments, Directors and deans, Principals (in teaching hospitals), employees in a non clinical department like Finance, Housekeeping and others. In the second round top executives and doctors specialized in few disciplines were interviewed to know about issues related to CSR.

For analysis, IBM SPSS 20, MS-EXCELL and AMOS software’s were used. There were no cases of missing data, however few outliers were eliminated and total numbers of 425 responses
were recorded. Confirmatory factor analysis was carried out and theoretical model was tested using Structural Equation Modeling.

2.6: MAJOR AREAS OF CONTRIBUTION:

The study expects to contribute in various ways; major contributions are as listed below:

- The significance of the need for good Corporate Governance practices is discussed which will strengthen the literature suggesting for the need of good corporate governance practice.
- The stakeholder theory of Corporate Governance is supported as the best theory for practical implementation of Corporate Governance practice.
- Corporate Governance and CSR practices are advocated as strategic rather than legal or regulatory requirements.
- The role of Clinical Governance and Organization Climate are highlighted for good Corporate Governance practices.
- Finally, it is confidently described why Corporate Governance and CSR practices are to be considered connected and should be discussed together and not separately.

2.7: LIMITATIONS OF THE STUDY:

- Geographical area limited to Bangalore City
- It may not be generalized to the whole healthcare sector as Government healthcare organizations are not included in the sample.

2.8: THESIS OUTLINE:

This thesis is organized into 8 chapters which are titled as follows;

Chapter 1: This chapter includes Introduction of the industry, the concept and need importance and limitations of the research.
**Chapter 2:** This chapter is completely focused on the research methodology adopted and its relevance to the present research.

**Chapter 3:** In this chapter comprehensive review of literature relating to CG, CSR, CLG & OCL is discussed.

**Chapter 4:** Methodology and research plan is elaborated in this chapter.

**Chapter 5:** This chapter gives detailed explanations of the concepts related to the title of the research by focusing on the relevance of concepts to the selected industry.

**Chapter 6:** This chapter has been designed to discuss the Sample Demographics, Data Screening, Measurement Development and Structural Model Testing.

**Chapter 7:** Findings, Suggestions and conclusions have been included in this chapter.

**Chapter 8:** Summary of complete research is included in this chapter.