5.1: CORPORATE GOVERNANCE:

Corporate Governance may be termed as an old Sloka of new Mantra. This means the concept of corporate governance is not new but the perception regarding the same is changing day by day. Ethical issues or dilemmas attached to business are also not new but only the nature of such situation has became more complicated. Corporate Governance is considered as the process carried out by the board of directors, and its related committees, on behalf of and for the benefit of the company’s stakeholders, to provide direction, authority, and oversights to management. (Paul J. Sobel, Auditor’s Risk Management Guide: Integrating Auditing and ERM (2007), from the 2005 edition.

There are actually many different definitions of corporate governance, but they all address the following elements:

- Systems of controls within the company
- Relationships between the company’s board/shareholders/stakeholders
- The Company being managed in the interests of the shareholders (stakeholders)
- Greater transparency and accountability to enable users of corporate information to determine whether the business is being managed in a way that they consider appropriate

Corporate Governance can be viewed from an agency perspective. As long ago as 1932, Berle and Means published The Modern Corporation and Private Property in the United States. This seminal work highlighted some of the problems that can occur when ownership of a corporation is separated from the control of the corporation. For example, how do the suppliers of financing make sure that managers do not steal the capital they supply or invest it in bad projects? How do the suppliers try to ensure that the directors do not become too powerful, or use their power in ways that are not in the best interests of the corporation?
5.1(a): Drivers of improved Corporate Governance
Several key factors are behind the move to improved corporate governance:

- Collapses of prominent businesses, both in the financial and nonfinancial sectors, such as Polly Peck, BCCI and later Baring, have led to more emphasis on controls (e.g. to safeguard assets etc).
- Institutional investors are increasingly seeking to diversify their portfolios and invest overseas. They then look for reassurances that their investment will be protected.
- With businesses as diverse as family-owned firms and state-owned enterprises increasingly seeking external funds, whether from domestic or international sources, corporate governance assumes a greater role in helping to provide confidence in those companies and hence to obtain external funding at the lowest possible cost.
- Finally, within a country (as opposed to a company or private business), good corporate governance helps to engender confidence in the stock market and hence the economic environment as a whole, creating a more attractive environment for investment.

Principles of corporate governance: Contemporary discussions of corporate governance have tended to refer to principles raised in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), the Sarbanes-Oxley Act of 2002 (US, 2002). The Cadbury and OECD reports present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act, informally referred to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports.

Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

Interests of other stakeholders: Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, core suppliers, local communities, customers, and policy makers.
Role and responsibilities of the board: The board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

Integrity and ethical behavior: Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of the board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

Corporate Governance Models Around The World: There are many different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The Anglo-American "model" tends to emphasize the interests of shareholders. The coordinated or Multi stakeholder Model associated with Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. A related distinction is between market-orientated and network-orientated models of corporate governance.

Continental Europe Some continental European countries, including Germany and the Netherlands, require a two-tiered Board of Directors as a means of improving corporate governance. In the two-tiered board, the Executive Board, made up of company executives, generally runs day-to-day operations while the supervisory board, made up entirely of non-executive directors who represent shareholders and employees, hires and fires the members of the executive board, determines their compensation, and reviews major business decisions.

India's SEBI Committee on Corporate Governance defines corporate governance as the "Acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company." It has been suggested that the Indian approach is drawn from the Gandhian principle of trusteeship and the Directive Principles
of the Indian Constitution, but this conceptualization of corporate objectives is also prevalent in Anglo-American and most other jurisdictions.

United States, United Kingdom The so-called "Anglo-American model" of corporate governance emphasizes the interests of shareholders. It relies on a single-tiered Board of Directors that is normally dominated by non-executive directors elected by shareholders. Because of this, it is also known as "the unitary system". Within this system, many boards include some executives from the company (who are ex officio members of the board). Non-executive directors are expected to outnumber executive directors and hold key posts, including audit and compensation committees. The United States and the United Kingdom differ in one critical respect with regard to corporate governance: In the United Kingdom, the CEO generally does not also serve as Chairman of the Board, whereas in the US having the dual role is the norm, despite major misgivings regarding the impact on corporate governance.

In the United States, corporations are directly governed by state laws, while the exchange (offering and trading) of securities in corporations (including shares) is governed by federal legislation. Many US states have adopted the Model Business Corporation Act, but the dominant state law for publicly traded corporations is Delaware, which continues to be the place of incorporation for the majority of publicly traded corporations. Individual rules for corporations are based upon the corporate charter and, less authoritatively, the corporate bylaws. Shareholders cannot initiate changes in the corporate charter, although they can initiate changes to the corporate bylaws.

**Some Landmarks in Corporate Governance:**

**The Cadbury Report**

The report of the United Kingdom Committee on the Financial Aspects of Corporate Governance, chaired by Sir Adrian Cadbury, former chairman of Cadbury Schweppes and a director of the Bank of England, was published in 1992 (Cadbury 2002). The recommendations of the Cadbury Report influenced the development of corporate governance not just in the United Kingdom, but also in many other countries, including Russia and India.
<table>
<thead>
<tr>
<th>Definition Of Corporate Governance</th>
<th>Highlights</th>
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<tbody>
<tr>
<td>1. Corporate Governance is the control of management in the best interests of the company, including accountability to shareholders who elect directors and auditors and vote on say on pay. How a company is governed influences rights and the relationships among organizational stakeholders, and ultimately how an organization is managed, and whether it succeeds or fails. Companies do not fail; boards do. – Dr. Richard Leblanc, Harvard University Summer 2015, MGMT S-5018 – Corporate Governance</td>
<td>Relationship among organizational stakeholders</td>
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<td>2. Corporate Governance is “accountability to providers of capital.” — Bruce Weber, dean of the Lerner College of Business at the University of Delaware, at the inaugural meeting in November of the newly reconstituted advisory board for the John L. Weinberg Center for Corporate Governance.</td>
<td>Accountability to providers of capital</td>
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<td>3. Corporate Governance is about “how investors get the managers to give them back their money” (Shleifer &amp; Vishny, “A Survey of Corporate Governance,” Journal of Finance 52 (2) 1997: 738)</td>
<td>Return on investment</td>
</tr>
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<td>4. Corporate Governance is gathering together a group of smart, accomplished people around a board table to make good decisions on behalf of the company and its stakeholders. — As We Start Anew, Jim Kristie, editor and associate publisher of Directors &amp; Boards.</td>
<td>Board composition</td>
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| 5. Generally, corporate governance refers to the host of legal and non-legal principles and practices affecting control of publicly held business corporations. Most broadly, corporate governance affects not only who controls publicly traded corporations and for what purpose, but also the allocation of risks and returns of the firm’s activities among the various participants in the firm, including stockholders and managers as well as creditors, employees, customers, and even communities. However, American corporate governance doctrine primarily describes the control rights and related responsibilities of three principal groups:  
  1. The firm’s shareholders, who provide capital and must approve major firm transactions,  
  2. The firm’s board of directors, who are elected by shareholders | Employees, Customers and Communities are considered as secondary stakeholders |
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<td>to oversee the management of the corporation, and 3. The firm’s senior executives who are responsible for the day to day operations of the corporation.</td>
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<td>6</td>
<td>As the Delaware Supreme Court has stated, “the most fundamental principles of corporate governance are a function of the allocation of power within a corporation between its stockholders and its board of directors.” (J. Robert Brown, Jr. and Lisa L. Casey, Corporate Governance: Cases and Materials, 2012)</td>
<td>Allocation of power between stockholders and board of directors</td>
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<td>7</td>
<td>“The corporate governance system is the combination of mechanisms which ensure that the management (the agent) runs the firm for the benefit of one or several stakeholders (principals). Such stakeholders may cover shareholders, creditors, suppliers, clients, employees and other parties with whom the firm conducts its business”. — Goergen and Renneboog, 2006</td>
<td>Benefits of the stakeholders</td>
</tr>
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<td>8</td>
<td>“Corporate governance deals with the conflicts of interests between the providers of finance and the managers; the shareholders and the stakeholders; different types of shareholders (mainly the large shareholder and the minority shareholders); and the prevention or mitigation of these conflicts of interests”. — Marc Goergen, 2012.</td>
<td>Conflicts between shareholders and stakeholders</td>
</tr>
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<td>9</td>
<td>“In broad terms, Corporate Governance refers to the way in which a Corporation is directed, administered, and controlled. Corporate governance also concerns the relationships among the various internal and external stakeholders involved as well as the governance processes designed to help a corporation achieve its goals. Of prime importance are those mechanisms and controls that are designed to reduce or eliminate the principal-agent problem”. (H. Kent Baker and Ronald Anderson, Corporate Governance: A Synthesis of Theory, Research, and Practice, 2010)</td>
<td>The Relationships among the various internal and external stakeholders</td>
</tr>
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<td>10</td>
<td>“Corporate governance is a field in economics that investigates how to secure/motivate efficient management of corporations by the use of incentive mechanisms, such as contracts, organizational designs and legislation. This is often limited to the question of improving financial performance, for example, how the corporate owners can secure/motivate that the corporate managers will deliver a competitive rate of return”. (Mathiesen, 2002)</td>
<td>CG is considered as field of economics, focusing on ROI</td>
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<td>11</td>
<td>The system by which companies are directed and controlled.- The Committee on the Financial Aspects of Corporate Governance</td>
<td>A system</td>
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<td>12</td>
<td>“Corporate Governance is concerned with holding the balance between economic and social goals and between individual and organization”</td>
<td>Holding the balance between</td>
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<td>communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society” (Sir Adrian Cadbury in ‘Global Corporate Governance Forum’, World Bank, 2000)</td>
<td>economic and social goals and between individual and communal goals</td>
<td></td>
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<tr>
<td>13 The process by which corporations are made responsive to the rights and wishes of stakeholders. (Demb and Neubauer, The Corporate Board: Confronting the Paradoxes)</td>
<td>Process</td>
<td></td>
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<tr>
<td>14 “Corporate Governance is about how companies are directed and controlled. Good governance is an essential ingredient in corporate success and sustainable economic growth. Research in governance requires an interdisciplinary analysis, drawing above all on economics and law, and a close understanding of modern business practice of the kind which comes from detailed empirical studies in a range of national systems”. – Simon Deakin, Robert Monks Professor of Corporate Governance</td>
<td>Understanding of modern business practice</td>
<td></td>
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<tr>
<td>15 “Corporate Governance is what you do with something after you acquire it. It’s really that simple. Most mammals do it. (Care for their property.) Unless they own stock. [She continues:]... it is almost comical to suggest that corporate governance is a new or complex or scary idea. When people own property they care for it: corporate governance simply means caring for property in the corporate setting”. – Sarah Teslik, former Executive Director of the Council of Institutional Investors</td>
<td>Corporate governance simply means caring for property in the corporate setting</td>
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<tr>
<td>16 Corporate Governance describes all the influences affecting the institutional processes, including those for appointing the controllers and/or regulators, involved in organizing the production and sale of goods and services. Described in this way, corporate governance includes all types of firms, whether or not they are incorporated under civil law. – Shann Turnbull</td>
<td>Describes all the influences affecting the institutional processes</td>
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<tr>
<td>17 Corporate Governance is about “the whole set of legal, cultural, and institutional arrangements that determine what public corporations can do, who controls them, how that control is exercised, and how the risks and return from the activities they undertake are allocated.” – Margaret Blair, Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century, 1995.</td>
<td>The whole set of arrangements</td>
<td></td>
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<tr>
<td>18 “Corporate governance is the relationship among various participants [chief executive officer, management, shareholders, employees] in determining the direction and performance of</td>
<td>The relationship among various</td>
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</table>
| 19 | Corporate governance is about how suppliers of capital get managers to return profits, make sure managers do not misuse the capital by investing in bad projects, and how shareholders and creditors monitor managers.  
– American Management Association | Process of monitoring usage of capital |
| 20 | Corporate Governance is the relationship between corporate managers, directors and the providers of equity, people and institutions who save and invest their capital to earn a return. It ensures that the board of directors is accountable for the pursuit of corporate objectives and that the corporation itself conforms to the law and regulations. – International Chamber of Commerce | Relationship between the stakeholders |
| 21 | The relationship between the shareholders, directors and management of a company, as defined by the corporate charter, bylaws, formal policy and rule of law. – The Corporate Library | Relationship between the stakeholders |
| 22 | Corporate Governance is the relationship among various participants in determining the direction and performance of corporations. The primary participants are: shareholders; company management (led by the chief executive officer); and the board of directors. – CalPERS | Relationship between the stakeholders |
| 23 | Corporate Governance is the method by which a corporation is directed, administered or controlled. Corporate governance includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed. The principal participants are the shareholders, management and the board of directors. Other participants include regulators, employees, suppliers, partners, customers, constituents (for elected bodies) and the general community. – Wikipedia | Includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed |
| 24 | The set of obligations and decision-making structures that shape the complex set of constraints that determine the profits generated by the firm and shape the ex post bargaining over those profits. – Stijn Claessens | The set of obligations and decision-making |
| 25 | As Gourvevitch and Shinn, quoted in the above several paragraphs, note in their book Political Power and Corporate Control: The New Global Politics of Corporate Governance:  
Corporate governance – the authority structure of a firm – lies at the heart of the most important issues of society”… such as “who has claim to the cash flow of the firm, who has a say in its strategy and its | It influences social mobility, stability and fluidity |
allocation of resources.” The corporate governance framework shapes corporate efficiency, employment stability, retirement security, and the endowments of orphanages, hospitals, and universities. “It creates the temptations for cheating and the rewards for honesty, inside the firm and more generally in the body politic.” It “influences social mobility, stability and fluidity… It is no wonder then, that corporate governance provokes conflict. Anything so important will be fought over… like other decisions about authority, corporate governance structures are fundamentally the result of political decisions.

| 26 | “Corporate governance is not an abstract goal, but exists to serve corporate purposes by providing a structure within which stockholders, directors and management can pursue most effectively the objectives of the corporation.” – US Business Round Table White Paper on Corporate Governance September 1997 |
| 27 | Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved. (ASX Principles of Good Corporate Governance and Best Practices Recommendations, 2003) |
| 28 | Corporate governance is the process carried out by the board of directors, and its related committees, on behalf of and for the benefit of the company’s stakeholders, to provide direction, authority, and oversight to management. (Paul J. Sobel, Auditor’s Risk Management Guide: Integrating Auditing and ERM (2007), from the 2005 edition.) |
| 29 | Sir Adrian Cadbury (2004) lamented "Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society". |
| 30 | Wikipedia defined “Corporate governance as the method by which a A corporation is directed, administered or controlled. Corporate |
governance includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed. The principal participants are the shareholders, management and the board of directors. Other participants include regulators, employees, suppliers, partners, customers, constituents (for elected bodies) and the general community”. It is to be noted here that employees and customers are treated as other participants, whereas they should be the core part of the organization.

After analyzing the various definitions of Corporate Governance, it could be said that Corporate Governance addresses the system of control within the organization. Corporate Governance ensures greater transparency and accountability. It explores the relationship between company’s all stakeholders. Some authors see it as legal obligation to be fulfilled by the management, whereas some other does consider it as a process. Interestingly, all authors identify or recognize the same outcome or result i.e., better managed organization, improvement of corporate image and sustainability.

From various definitions framed by experts across the world, it could be noticed that such definitions are framed after considering the status of the economy of their respective geographical area. In other words the definition of Corporate Governance for developed economy like United States of America is different from that of developing economy like India. This is because developed economy focuses more on Board structure and disclosure whereas developing economy focuses on social responsibility aspect also along with transparency and disclosure.

5.2: CORPORATE SOCIAL RESPONSIBILITY:

“There’s enough on this planet for everyone’s needs but not for everyone’s greed” -

Mahatma Gandhi

“Development has to be achieved collectively and it has to be quick paced and inclusive”.-

PM Mr. Narendra Modi on development of nation

“We, the present generation, have the responsibility to act as a trustee of the rich natural wealth for the future generations. The issue is not merely about climate change; it is about climate justice”- PM Modi at Samvad, Global Hindu Buddhist Initiative
“The single most important material constraint for economic growth is energy. Without sufficient energy, development is impossible since energy is required for every economic activity”. (p69)( https://deeshaa.org/2012/12/30/a-few-quotes-from-transforming-india/)

The above quotes are the mere indication that development of the country is very important provided it should not harm the wholesomeness/ quality or goodness of the nature as well as society. Along with economic development there must exists a sustainable society and also a least interfered climate. It is not necessary that only Government should be held responsible for the development of the country and responsibility towards society. Private sector should equally be held responsible for the development of the society along with economic development.

In its original sense, the term CSR is defined as a moral and stakeholder obligation. It is the obligation emanating from a notion that business is responsible to society in general and thus corporations should be answerable to those who directly or indirectly affect or are affected by a firm’s activity. As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to the triple bottom - line: profits, protection of the environment and fight for social justice. According to the Indian Corporate, —Sustainable development implies optimizing the financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and the environment.

As mentioned in the triple bottom line approach of CSR it has three dimensions, namely economic, social and environmental. This concept of CSR is gaining more interest among researchers, especially in India after the implementation of the Companies Act, 2013.

Carroll, 2004 opines that the roots of the concept of CSR as it is known today have a long history, which indicates that business people have paid increasing attention to the concerns of society. With the emergence of the labor movement and spreading of slums triggered by the industrial revolution, businesses started to provide social welfare on a limited scale, including the construction of hospitals and bath houses and provision of food coupons (Carroll, 2008). The concept of CSR emerged in the 1950s. Bowen (1953) defined CSR as the obligations of businessmen16 to pursue their policies, to make their decisions or to follow their lines of action which are desirable in terms of the objectives and values of society. He argued that businessmen are responsible for the consequences of their actions in a sphere somewhat wider than corporate
Davis (1960) sets forth his definition of CSR as it refers to businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest. By arguing that CSR was a blunt idea, but had to be discussed in a managerial context, he further suggested that some socially responsible business decisions can be justified by the long-run economic gains of the firm, thus paying back for its socially responsible behavior. Frederick (1960) saw CSR as a private contribution to society’s economic and human resources and a willingness on the part of the business to see that those resources were utilized for broad social ends. He also summarized the development of CSR in the 1950s into three core ideas: (1) corporate managers as public trustees through the shareholding system; (2) stakeholders’ balanced claims to corporate resources; and (3) the acceptance of business philanthropy.

It is observed that the 1960s and 1970s were distinguished by the rapid growth of social movements advocating labor rights, consumer protection and environmental preservation. During this period, labor issues underwent a transition from special interest status to the subject of formal government regulations. In line with Samuelson (1971), who argued in favor of the role of CSR, Davis (1973) concluded that CSR refers to “the firm’s consideration of and response to issues beyond the narrowly economic, technical and legal requirements of the firm” (pp. 313-321). Johnson (1971) also proposed that instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. It is noteworthy that he pioneered the stakeholder theory with a framework which identified key stakeholders in business, and thus for CSR. One of the notable contributions to the development of CSR at that time was made by the Committee for Economic Development (CED) of the United States, which defined CSR, in 1971, as a business function to serve constructively the needs of society (Carroll, 2008). The CED argued that businesses should have broader responsibilities to society reflecting the changing social contract between business and society (or the nation) in general. During the same period, one of the most critical views against CSR was also brought by Friedman (1962) who claimed that corporate managers’ primary responsibility was to maximize value for shareholders instead of incorporating CSR in their daily activities.
At the end of the 1970s, perhaps the earliest and most comprehensive framework of CSR was proposed by Carroll (1979). He constructed a three-dimensional CSR conceptual model, which consisted of corporate responsibilities, social issues of business and corporate actions.

During the 1980s and 1990s Carroll’s CSR model was refined. Wartick and Cochran (1985) proposed another three-dimensional model of principles, policies and processes or the 3P CSR model. This model extended Carroll’s earlier three-dimensional CSR model (i.e. Responsibilities, issues and actions) by accepting the Jones’ notion (1980) that CSR is not a set of outcomes but an evolving process (e.g. analysis, debate and modification) regulated by formally.

Wood (1991) further reformulated the two three-dimensional models by emphasizing the outcomes or performance of CSR initiatives. First, Carroll’s four types of corporate responsibilities (i.e. Economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e. Legal, organizational and individual). This helps to explain CSR more clearly, as the society’s expectation of business behaviors and outcomes is more distinguished. Second, Wood came up with three principles of corporate behaviors and outcomes: legitimacy, public responsibility and managerial discretion. Legitimacy refers that society grants permission to do embedded principles and policies. Business and business should follow the rules of the game. Public responsibility means that businesses have to be responsible for outcomes related to their primary and secondary areas of involvement with society. Managerial discretion emphasizes that corporate managers are moral actors and they are obliged to play such a role to make CSR matter. Third, social issues were reorganized as the outcomes, or performance, of CSR initiatives. The outcomes are separated into three types: social impacts of corporate behavior, policies that companies use for handling social issues, and CSR programs. Fourth, corporate actions were further divided into external assessment, stakeholder management and implementation management. The firms must monitor and analyze the external environment (i.e. Economic, technological, social, political and legal) which changes over time; take stakeholder demand into consideration for proper designing of CSR initiatives; and emphasize quality implementation to enhance the effectiveness of the CSR initiatives.
During the same period, the focus on developing new or refined concepts of CSR gradually gave way to alternative approaches such as corporate citizenship 18 (Pinkston and Carroll, 1994), business ethics 19 (Shapiro, 1995) and stakeholder theory 20 (Freeman, 1984), although the core concerns of CSR were reflected in those new approaches. The CSR concept served as the basis, building block or point-of-departure for other related initiatives, many of which adopted CSR principles (Carroll, 2008).

Since entering into the twenty-first century, more focus has been given to implementation of CSR initiatives and empirical study of CSR impacts. However, some development of the CSR concept has been continuously observed. Schwartz and Carroll (2003) reduced Carroll’s four categories of corporate responsibilities (i.e. Economic, legal, ethical and philanthropic) to three domain approach, namely economic, legal and ethical. The International Labor Organization (ILO) (2007) redefined CSR as a way that enterprises consider the impact of their operations on society and CSR principles are integrated in the enterprise’s internal processes and interactions with stakeholders on a voluntary basis. More recently, the European Commission (2011) simplified the CSR definition as the responsibility of enterprises for their impacts on society, which indicates that enterprises should have a process in place to integrate CSR agenda into their operations and core strategies in close cooperation with stakeholders. The World Business Council for Sustainable Development (WBCSD) (2012) also emphasized a balance of return on financial, natural and social capitals, particularly suggesting the integration of CSR reporting into an annual report. The following table summarizes the major development of CSR concepts.
<table>
<thead>
<tr>
<th>Year</th>
<th>Concept</th>
<th>Crux</th>
<th>Literature</th>
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<tr>
<td>1950s</td>
<td>Social responsibility of businessmen</td>
<td>The obligations of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society</td>
<td>Bowen (1953)</td>
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<td></td>
<td></td>
<td>Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior.</td>
<td>Davis (1960)</td>
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<td>Private contribution to society’s economic and human resources and a willingness on the part of the business to see that those resources were utilized for broad social ends</td>
<td>Frederick (1960)</td>
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<tr>
<td>1960s – 1970s</td>
<td>Three-dimensional model of principles, policies and processes</td>
<td>Integration of the principles of corporate responsibility, the policies of social issue management and the process of action into an evolving system.</td>
<td>Wartick and Cochran (1985)</td>
</tr>
<tr>
<td>1960s – 1970s</td>
<td>Institutional framework and extended corporate Actions</td>
<td>Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., Legal, organizational and individual), while corporate actions are extended to assess, stakeholder management and Implementation management.</td>
<td>Wood (1991)</td>
</tr>
<tr>
<td>2000s</td>
<td>Three-domain approach</td>
<td>Three domains of corporate responsibilities: economic, legal and ethical</td>
<td>Schwartz and Carroll (2003), Sharma, (2003), Pralhad 2005</td>
</tr>
<tr>
<td></td>
<td>New concept</td>
<td>A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders</td>
<td>European Commission (2011), Ashlay 2009</td>
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The above table clearly indicates that though the concept of CSR was understood in philanthropic perspective, but gradually it is becoming a core part of every business strategy. One of the several reasons for such development may increase in the variety of stakeholder groups, more vigilant society and emergency of protecting the society where the business is operating.

Newell and Frynas (2007) suggest that CSR initiatives should target poorer groups more than other groups. They stress the key role of Government in inclusive development (e.g. Education and employment of minorities) and argue that CSR initiatives can make a larger contribution by reinforcing state-led pro-poor policies in addition to their direct contribution. But it is worth remembering that such pro poor activities must not be bases on cast, religion or minority, instead they could be based on economic condition or Zender. Inclusive businesses typically encourage local employees, suppliers, producers and growers to participate in their production and other activities in the value chain so that they can not only achieve commercial objectives but also improve local competitiveness and productivity. Inclusive businesses can also offer opportunities to local stakeholders in terms of skills development and knowledge accumulation that are conducive to the formation of local industry clusters. Businesses, however, need focused CSR initiatives with a long-term commitment to the development of the poor and require close partnerships with government to ensure the successful implementation of such initiatives. In the support of this approach (Pralhad 2005), explained BOP (Bottom of the Pyramid) as an approach to sustainable business to contribute in the global poverty alleviation. Ashlay in the year 2009 contended that if CSR activities are properly streamlined into the core business activities, it will make a great impact on society and the environment.
To summarize the above figure it could be inferred that corporate intentions like economic and non-economic gain motivates business corporations to take up CSR activities which will address many social issues like environmental protection, education and corruption in the society etc. To address these issues most needed aspect is a suitable institutional framework which considers political, legal system of the economy, nature of organizations and individuals also. The final part is the corporate actions regarding assessment and design of proper strategies, implementation of the planned strategies and CSR reporting.

This CSR conceptual framework highlights a process flow from motives that drive business adopt the practices of corporate responsibilities to implementation of CSR activities into business
operations through the selection of key issues to society and environment as well as an appropriate institutional mechanism. The framework covers the various concepts of CSR that have been developed for years. It can also contribute to the further conceptual development of effective CSR practices and provide clear guidelines and specific approaches for business, government and other stakeholders (e.g. International, non-profit and non-governmental organizations) to conduct their ongoing and future activities, resulting in better CSR performance.

5.2(a): CSR in Health Care Sector:

As observed from literature review Corporate Social Responsibility is that responsibility towards society and other stakeholders of any kind of organization. Actually, it should not matter whether it is practiced due to imposed by the law or practiced sue motto. The ultimate result must be the improvement in the economic or social conditions of one or few or all the stakeholders of the organization. The Health Care sector is that industry which addresses one of the basic needs of living organism (i.e., Human beings, animals which include pet animals and veterinary animals). In the present study it is noted that respondents believe that they should behave in a very responsible manner minimize errors from their side in the treatment of patients. Multi specialty hospitals are more concerned about reaching a certain quality standards while teaching hospitals are more conscious about quality education and training to the medical and Para medical students whereas super specialty hospitals concentrate more creation of awareness regarding identification, prevention, and cure of serious diseases like varieties of Cancers, Heart related diseases etc.,

Before the implementation of the Companies Act 2013, CSR was viewed more from the Philanthropic perspective by many organizations. Few big health care organizations were attempting to follow GRI guidelines regarding CSR activities carried by the organizations. Now when the Corporation is required to spend minimum prescribed part of their annual profit towards CSR activities, they are searching for new avenues for such investments. Few have separate departments to look after CSR activities while others assign this work to HR or Marketing personnel. Health camps, eye check up camps are most commonly termed CSR activities of the health care organizations. Almost all respondents opine that their hospitals are
contributing towards environment improvement initiatives and waste management initiatives, but very few are aware of the alternatives available for environmental improvement and waste management methods. Hence management can involve all employees and other stakeholders in designing such initiatives or drafting any policies regarding the same. Women empowerment programs, emergency number during cardiac arrest, music and free consultation for senior citizen are the new avenues for CSR activities. Nowadays we are observing Geriatric Care (Care about Old age people) is discussed more frequently. This is because most of the retired people and people above the age of 60 years are facing financial problems in meeting their medical expenses as they might have spent all their earnings in the improvement of their children’s life. So hospitals can initiate such methods which will lessen the burden of medical expenses. This could be done as one of the CSR activities.

Apart from the already existing CSR practices, the health care organizations should take up new activities which will contribute towards the fulfillment of developmental needs of the country. In doing so they either join their hands with the government or they can design similar programs for the betterment of the society. It is to be noted that in designing CSR activities all branches of the hospitals should be considered independent, so that they can concentrate more on the geographical area of their existence, e.g., a multi specialty hospital of one brand (FORIS, APPOLO etc..) in Delhi should have its own CSR program and the one in Bengaluru must have its own. To address the issues highlighted in 12th Five year plan private hospitals may take certain initiatives under the umbrella of CSR. Some of such initiatives may include:

1. Adoption of Primary and Secondary schools where they can address not only the problems associated with malnutrition, but other issues like improvement with Psychological problems of students as well as teachers.
2. Joining hands with collages to address the health issues associated with young generation like Obesity, Anemia, Smoking, Drug addiction etc., by creating awareness about healthy lifestyle.
3. To address the scarcity of health care professionals’ private health care organizations can provide scholarships to eligible students with poor economic background to study medicine courses.
4. Private hospitals can also depute their doctors and nurses to villages adopted by them and salary could be paid from the CSR reserve fund.

5. Funding the research activities which will reduce the burden health care cost to the hospitals as well as patients, and

6. Initiatives suggested in Table 1 may be adopted to address the issue of Global Warming as the health care sector is one of the high energy or power consuming one.

**Figure No: 5.10**

**Framework of CSR Behavior in Health Care Industry**

- **People**
  - Promote good self esteem
  - Improve Health of the Society
  - Maintain Transparency among Stakeholders
  - Improve Access to affordable health care

- **Profit**
  - Maintain Financial Stability
  - Promote Startups related to Health Care products & services
  - Promote Women Entrepreneurs

- **planet**
  - Use Available Natural Resources Responsibly
  - Minimize Carbon footprints

- **Equitable**
- **Bearable**
- **Sustainable**
- **Viable**
In the above framework numbers 1, 2, 3 and 4 are explained as follows.

1. **Equitable:** Here financial resources and non financial resources should be used in proper proportion. In other words human resources should be used in an intelligent manner so that most of the stakeholders will feel satisfied.

2. **Bearable:** As this planet is for all we should try to make our environment surrounding bearable or fit for living.

3. **Viable:** Viability here refers to the usage of available resources in such way that it will lead to sustainable development as well as economically bearable.

4. **Sustainable:** Any practice which is equitable, bearable and viable is sustainable one.

With the above framework health care industry service providing practices could be analyzed as follows:

**Table No: 5.9**

**Service Providing Practices of Health Care Industry (Private Players)**

<table>
<thead>
<tr>
<th>Normal Practices</th>
<th>CSR Induced Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comply with Regulations</td>
<td>Broaden the scope</td>
</tr>
<tr>
<td>Be reliable</td>
<td>Attain maximum level of fairness and equity externally</td>
</tr>
<tr>
<td>Be transparent</td>
<td>Maintain fairness &amp; equity in the supply chain</td>
</tr>
<tr>
<td>Do research</td>
<td>Comply with Industry standards</td>
</tr>
<tr>
<td>Get feedback</td>
<td>Cooperate</td>
</tr>
<tr>
<td>Grow</td>
<td>Improve access to clean drinking water</td>
</tr>
<tr>
<td>Improve Patient safety</td>
<td>Improve employee well being</td>
</tr>
<tr>
<td>Improve employee safety</td>
<td>Promote good health</td>
</tr>
<tr>
<td>Increase revenue</td>
<td>Promote good self esteem</td>
</tr>
<tr>
<td>Innovate</td>
<td>Protect resources</td>
</tr>
<tr>
<td>Maintain quality</td>
<td>Reduce use of non renewable energy as far as possible</td>
</tr>
<tr>
<td>Manage cost</td>
<td>Reduce waste</td>
</tr>
<tr>
<td>Manage supply chain</td>
<td>Reduce /reuse/recycle wherever possible</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>Sponsor events</td>
<td></td>
</tr>
<tr>
<td>To support human rights</td>
<td></td>
</tr>
<tr>
<td>Support startups related to health care products and services</td>
<td></td>
</tr>
<tr>
<td>Join hands with Government in implementation of health care related plans</td>
<td></td>
</tr>
</tbody>
</table>

Corporate Social Responsibility has emerged as most demanding yet challenging aspect for any business sector.

5.2(b): HEALTH CARE SECTOR & CSR:

The healthcare sector plays a critical role in maintaining the health and well-being of a population as well as contributing to the economic development of our country. With rapid population growth in the country, the need for high-quality healthcare services is expanding so also the need to provide health care at affordable cost. Health care sector is important as it adds to the economic development of the country by creating job opportunities, though the rate of creation of job opportunities is little less compared other sectors like IT. This provides job seekers with an opportunity to enter and retain employment in a wide range of health occupations and skill levels. Many of these jobs provide good wages and opportunities for career advancement. Whether an Ebola virus outbreak in West Africa, a backlog of basic surgeries in India, persistently high neonatal and maternal mortality, or the worldwide surge in cancer incidence, hospital services remain central to effective responses to existing, new and unexpected health care problems, so developing a competent healthcare workforce across the full spectrum of occupations is crucial for the sector and economic well-being of the state. Along with this, innovative CSR practices are expected from this sector as one of the developmental issue of any country i.e., Health and well being of the people. Hospitals are only marginally included in global health priorities, and donors have effectively ignored them placing continued emphasis on rural primary health care for basic preventive services. In India private hospitals capture significant segments of the upper income market through self pay either via out of pocket payment or health insurance.
One of the thematic area identified by majority of Companies is Health Care along with education, rural development and livelihood generation related activities. Within health care domain specifically very few activities are attracting CSR contributions viz. Health camps, infrastructural and equipment support, maternal and child health, water sanitation and Geriatric care.

**Health as central to sustainable development:**

The International Covenant on Economic, Social and Cultural Rights states that, “the enjoyment of the highest standards of health is one of the fundamental rights of every human being without distinction of race, religion, and political belief, economic or social condition”. The full enjoyment of the right to health is critical for the enjoyment of other human rights. Good health is thus an end in itself and it plays an integral role in human capabilities and well-being.

Prioritizing a global health goal is essential for sustainable development as indicated above. It is imperative that the health sector address its weaknesses, not least of which are poor governance and weak accountability mechanisms; low status compared to other sectors in the view of finance and planning ministries; serious shortages of well-trained, motivated and supported health workers and unfair distribution of them within and across countries; and lack of knowledge or capability in many key areas such as quality assurance. In the face of such challenges, continuing progress depends, to an important extent, on empowering communities and people as the agents for their own health and as advocates with government.

Around the world, the healthcare industry represents one of the biggest environmental footprints of almost any industry. The combination of rising energy costs, scarce resources and climate change are creating critical challenges for healthcare providers. For one, this nexus has an immediate and dramatic effect on the health of the world’s population: water scarcity and climate change are increasing the incidence of drought and famine leading to significant malnourishment and disease in many regions of the world, while rapidly rising costs for food and energy are – in some cases – forcing families to make difficult choices between putting food on the table and paying the bills.
In these circumstances, it is important that the global health architecture evolve in order to better respond to countries’ needs and priorities and to play a fully effective role in achieving health for all.

Global Warming is one issue which needs to be addressed by every sector and Health Care Organizations are not exceptions. So to tackle this issue they can adopt the following ways:

**Table: 5.10**

**Addressing direct and indirect causes of Global Warming**

| Energy and Waste Efficiency | 1. Comparison of total energy consumed and percentage of renewable energy (eg., Solar, Wind, Biomass) could be made. Proper measures should be undertaken to generate more renewable energy.  
2. A close watch of weight of regulated medical waste generation and its disposition should be made. As there is less control over generation of waste generation proper techniques should used to dispose them ( e.g.- on-site incineration, landfill, treatment/storage/disposal facility etc)  
3. Total pharmaceutical should be segregated into Hazardous and Non Hazardous and proper measures should be adopted to dispose them (e.g.- on-site incineration, landfill, treatment/storage/disposal facility etc) |
| Climate change impacts on human health and infrastructure | Description of strategy to address the effect of climate change on hospital operation, physical infrastructure, and facility design. Discussion of specific risks (such as physical risk) presented by the changes in frequency and intensity of extreme weather events and changes to the morbidity and mortality of illness and diseases. |

Source: Preeti Desai & Meena Chandawarkar (2016),jpsr
Global warming due to climate change is one of the major issues which is hindering the
development of any country and India is not an exception. The maximum and minimum
temperature levels have increased by 2-5 degrees, water level has decreased drastically, forests
are destroyed due to fire etc… and as a result many health hazards are increasing and new
diseases due increased heat are being identified. These new diseases are more seen in women and
children. Changing temperature and precipitation variability or unpredictable climate can alter
yields, health and physical safety and ultimately the paths and levels of development. Climate
change affects agriculture in a number of ways. For example, uncertainties in the onset of the
farming season, due to changes in rainfall characteristics (early rain may not be sustained and
crops planted at that instance may become smothered by heat waves. This can lead to an unusual
sequence of crop planting and replanting which may result in food shortages due to harvest
failure. Extreme weather events such as thunderstorms, heavy winds and floods, devastate
farmlands and can lead to crop failure

Government may introduce stringent measures to control the disposal of pollutants to the
environment by industries so as to control the pollution of waters and land for economic
purposes. These can be done by making those industries responsible for such offences to pay
heavy compensations to such host communities affected. Since Health Care organizations are
also required to keep a close watch on effluent management, it is quite desirable to take self
initiation towards waste management. Involvement of all stakeholders in both mitigation and
adaptation measure to climate change through enhancement of indigenous knowledge and
creation of awareness among citizens about the need to be conscious of their carbon foot prints.
To do all these activities along with NGOs, the Ministries or Offices of Women Affairs, rural
development officials, Corporate Hospitals or Health Care Organizations should also play active
roles in the discussions and decisions that are being made in the climate change arena.

Improving accessibility to medicines, vaccines and quality healthcare for the global population is
crucial in preventing disease and improving the well-being of people. It is also important in
improving the future sustainability of the corporate entity. Barriers such as lack of trained
healthcare professionals, infrastructure and water resources can make it challenging to access
basic healthcare, thus making it essential to collaborate closely with government entities, local
NGO”s and local healthcare facilities and providers.
12th Five year plan report highlights the following issues which are hindering the development of the country (which could be addressed by Health Care Sector):

1. Malnutrition among children- Though the rate of malnutrition has fallen down to greater extent but still it exists. The major contributory in this process is public sector,
2. Malnutrition among adults specifically in women- Due to malnutrition the rate of increase in anemic and high BMI cases is increasing. This is observed in rural as well as urban areas,
3. Heavy financial burden – More than 30% of outpatients and more than 50% of inpatients are relying on private sector for addressing their health care needs. Private health care provides charge high rates compared to the public health care organizations,
4. Shortage of health care professionals – This may be due to few entries to public sector compared to private health care organizations,
5. More focus on Curative health care and less focus on preventive health care, etc.,

“The fastest way to mobilize the world is to mobilize the women of the world” – Charles Malik

The Government of India has launched numerous schemes for women under the National Rural Health Mission (NRHM):

1. Janani SurakshaYojana (JSY) is a safe motherhood intervention under the National Rural Health Mission (NRHM)
2. The Integrated Child Development Services Programme (ICDS) aims at providing services to preschool children in an integrated manner so as to ensure proper growth and development of children in rural, tribal and slum areas.
3. Kishori Shakti Yojana(KSY)
4. The Nutrition Programme for Adolescent Girls (NPAG)

These are few examples of Government’s initiation similar or little more improved activities could be initiated by Health Care organizations operating in India.

Unlike other businesses where price is set by the ability to pay, for the healthcare industry, price at times is subservient to public good. In a country like India where income disparities are large, social insurance limited and an increasingly polluted environment, public good comprising of
access to medicines and care, affordability and ethical marketing rests at the heart of a healthcare company’s CSR strategy.

The Indian pharmaceutical industry is ranked third largest in volume terms and 10th largest in value terms with about 24,000 players. India exports pharmaceutical products to more than 200 countries. The process of manufacturing these products uses large quantities of water and energy. Also, large quantities of waste are also generated.

As observed from literature review Corporate Social Responsibility is that responsibility towards society and other stakeholders of any kind of organization. Actually it should not matter whether it is practiced due to imposition by the law or practiced sue motto. The ultimate result must be the improvement in the economic or social conditions of one or few or all the stakeholders of the organization

5.3: CLINICAL GOVERNANCE

Clinical governance is a framework through which health organizations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish. To attain this health care organization requires:

- Greatest level of commitment from everyone in the organization.
- Creation of organizational climate which characterized by a shared passion for quality, openness, respect and support and fairness,
- Clarity of procedure in order to provide clarity of information to patients as well as clinicians,
- Educating/ training each regarding their contribution towards organization and patient care.
- Effective leadership which will ensure good teamwork and health care risk management etc.,
The elements of clinical governance as shown in the above figure include the following:

- **Education and Training:** This plays a major role in clinical governance as the education and training produces doctors, nurses and other clinical, paraclinical and non-clinical personnel. In the modern health service, it is no longer acceptable for any clinician to abstain from continuing education after qualification – too much of what is learned during training becomes outdated too quickly.

- **Clinical Audit:** It is the review of clinical performance, the refining of clinical practice as a result and the measurement of performance against agreed standards – a cyclical process of improving the quality of clinical care. Always Clinical Audit is considered as one of the best management practice of health care organizations. What was previously known as Medical Audit now referred as Clinical Audit, is considered as an essential ingredient for quality improvement.
- **Clinical Effectiveness**: Clinical effectiveness is a measure of the extent to which a particular intervention (an action taken to improve the medical disorder) works. The measure on its own is useful, but it is enhanced by considering whether the intervention is appropriate and whether it represents value for money.

- **Research and Development**: Good professional practice has always sought to change in the light of evidence from research.

- **Openness**: Poor performance and poor practice can too often thrive behind closed doors. Processes which are open to public scrutiny, while respecting individual patient and practitioner confidentiality, and which can be justified openly, are an essential part of quality assurance.

- **Risk Management**: Health care profession is risky by its nature. It involves risk to the patients, risk to the Clinicians and also risk to the service providing organizations. The quality of service is said to be good when all these risks are at the minimum level. Patient risks can be minimized by ensuring that systems are regularly reviewed and questioned – for example, by critical event audit and learning from complaints. Risks to the clinicians include proper immunization against infectious diseases and safe working environment. Risk to the organization is mainly consequences of poor quality services. Health care organizations need to reduce their own risks by ensuring high quality employment practice and well designed policies on public involvement.

5.3(a): **Clinical Governance and Corporate Governance**:  

Clinicians in today’s Health Care Sector are bound to be accountable to the management of the organization as well as patients. The processes for openness, learning from and review of performance, and accountability for the use of power and resources are all part of both clinical and corporate governance systems. Hence it would seem logical for corporate and clinical governance to become even more closely integrated. In clinical organizations the responsibility of clinical governance may be given to a clinician who is experienced enough. He should report to the management regarding all the clinical activities. Any organization providing high quality care has to show that it is meeting the needs of the population it serves. Health needs assessment and understanding the problems and aspirations of the community will require cooperation between all Health Care organizations, public health departments and local authorities. Community involvement with the clinical governance processes will have to be ensured, and the roles and relationships between practitioners and the wider community will have to be reassessed, if quality is to be more broadly defined. The system of clinical governance brings together all the elements which seek to promote quality of care, and the challenge to those responsible should not be underestimated. They will need to understand the cultures involved and will require great sensitivity if they are to help clinicians to review and justify their
Many clinicians are apprehensive about clinical governance and feel the changes involved could be an unnecessary intrusion. They will only be won over when they can see that it is in their interest, and that of their patients.

**5.4: Organizational Climate / Organizational Culture:**

The concept of organizational climate was formally introduced by the human relationists in the late 1940s. Now it has become a very useful metaphor for thinking about and describing the social system. Organisational climate is also referred to as the “situational determinants” or “Environmental determinants” which affect the human behavior.

Some researchers and authors have used organizational culture and organizational climate interchangeably. But there are some basic differences between these two terms. According to Bowditch and Buono, “Organisational culture is connected with the nature of beliefs and expectations about organizational life, while climate is an indicator of whether these beliefs and expectations are being fulfilled.”

Climate of an organization is somewhat like the personality of a person. Just as every individual has a personality that makes him unique and different from other persons. Each organization has an organizational climate that clearly distinguishes it from other organizations.

“Climate in a natural sense is referred to as the average course or condition of the weather at a place over a period of years as exhibited by temperature, wind, velocity and precipitation.”

However, it is quite difficult to define organizational climate incorporating the characteristics of natural climate. This is so because the most frustrating feature of an attempt to deal with situational variables in a model of management performance is the enormous complexity of the management itself. People have defined organizational climate on the basis of its potential properties. A few important definitions are as given below.

According to Forehand and Gilmer, “Climate consists of a set of characteristics that describe an organization, distinguish it from other organizations are relatively enduring over time and influence the behavior of people in it.”
According to Campbell, “Organisational climate can be defined as a set of attributes specific to a particular organization that may be induced from the way that the organization deals with its members and its environment. For the individual members within the organization, climate takes the form of a set of attitudes and experiences which describe the organization in terms of both static characteristics (such as degree of autonomy) and behavioral outcome and outcome-outcome contingencies.”

Thus, organizational climate is a relatively enduring quality of the internal environment that is experienced by its members, influences their behavior and can be described in terms of the value of a particular set of characteristics of the organization. It may be possible to have as many climates as there are people in the organization when considered collectively, the actions of the individuals become more meaningful for viewing the total impact upon the climate and determining the stability of the work environment. The climate should be viewed from a total system perspective. While there may be differences in climates within departments these will be integrated to a certain extent to denote overall organizational climate.

The organizational climate has the following characteristics:

1. **General Perception:**

   Organizational climate is a general expression of what the organization is. It is the summary, perception which people have about the organization. It conveys the impressions people have of the organizational internal environment within which they work.

2. **Abstract and Intangible Concept:**

   Organizational climate is a qualitative concept. It is very difficult to explain the components of organizational climate in quantitative or measurable units.

3. **Unique and District Identity:**

   Organizational climate gives a distinct identity to the organization. It explains how one organization is different from other organizations.
4. **Enduring Quality:**

Organizational climate built up over a period of time. It represents a relatively enduring quality of the internal environment that is experienced by the organizational members.

5. **Multidimensional Concept:**

Organizational climate is a multi-dimensional concept. The various dimensions of the organizational climate are individual autonomy, authority structure, leadership style, pattern of communication, degree of conflicts and cooperation etc.

Organizational climate is a manifestation of the attitudes of organizational members towards the organization. Hence there are various factors influencing the same. Taguiri has identified five factors influencing the organizational climate on the basis of information provided by managers.

These are:

- Practices relating to providing a sense of direction or purpose to their jobs—setting of objectives, planning and feedback,
- Opportunities for exercising individual initiative,
- Working with a superior who is highly competitive and competent,
- Working with cooperative and pleasant people,
- Being with a profit oriented and sales oriented company.

KATZ et. al. have identified five factors which affect individual performance in organization;

- Rules orientation,
- The nurturance of subordinates,
- Closeness of Supervision,
- Universalism,
- Promotion- achievement orientation.

5.4(a): **Brief Literature Review of the concept of Organizational Climate:**

This literature review starts with Organization Culture followed by Organization Climate. A theory of organizational culture emerges from a combination of organizational psychology, social psychology, and social anthropology. The development of organizational culture as a subject of study can be seen as an elaboration of the human relations (Roethlisberger and
Dickson 1939) and social systems approaches (Parsons 1977); which in turn developed as correctives to the scientific management techniques by Frederick Winslow (‘‘Speedy’’) Taylor, and his successor Frank B. Gilbreth. The study of organizations has been conducted from within various different theories or paradigms (Burrell and Morgan 1979). The term ‘‘organizational culture’’ first appeared in the academic literature in an article in Administrative Science Quarterly by Pettigrew (Pettigrew 1979; Hofstede et al. 1990) ——though Jacques refers to the culture of a factory as early 1952 (Jacques 1952). Its constituent themes can be traced to earlier literature on organizational analysis. Pettigrew’s own empirical study of a private British boarding school appears strongly influenced by Burton Clarke (Clarke 1970). Both trace the influence of the strong, idiosyncratic individuals who founded the organizations. This concern with the role of leaders and leadership in turn underlines the influence of Selznick’s Leadership in Administration (Selznick 1957). Selznick distinguishes between two ideal types of enterprise: on the one hand, a rational, instrumental organization and, on the other hand, the value-infused institution. According to Selznick, the term ‘‘organization’’ suggests a technical instrument to harness human energies and direct them towards set aims, while the term ‘‘institution’’ suggests an organic social entity, or culture.

Organizational culture and climate constitutes the main organization's advantage and permit differentiated between organizations within a society, particularly in relation to different levels of effectiveness. (Schein, 1990). Human resources, theories highlight the importance of motivating employees in the workplace and suggest that satisfied employees are more productive, innovative and efficient (Maslow, 1943). The theory of motivation was the first attempt to conceptualize the organizational climate theories. Organizational climate theory is widely studied in industrial and organizational psychology. Koflka (1935) studied the behavior, environment; Murray (1938) analyzed the personality problems on a level of depth and concreteness usually found only in the work of the psychiatrist or psychoanalyst. Lewin et al. (1939) analyzed the relationship between leadership style and climate.

In 1968 an early definition of organizational climate is made by Tagiuri R (1968) which defines organizational climate as a "quality of the internal environment of an organization that (a) is experienced by its members, (b) influences their behavior and (c) can be described in terms of
the values of a particular set of characteristics (or attributes) of the organization”. (Tagiuri R, 1968).

Pritchard and Karasick (1973) explored the validity of a measure of climate construct and they presented data on the relationship between climate, job performance and satisfaction. They concluded that satisfaction relates positively with climate perceptions and job satisfaction.

The distinction between climate and culture derives from the fact that the two concepts reinforce each other. According to Kangis et al. (2000) whilst the constructs of culture and climate have developed in parallel, they have been driven by researchers from different disciplines using different methodologies. There has been little cross-fertilization of methods and ideas and considerable debate among researchers about the relatedness of the two constructs. (Kangis et al., 2000).

Some authors have proposed that organizational climate is associated with important outcomes at diverse levels (individual, groups and organization). There is a positive correlation between climate and turnover intentions (Rentsch, 1990), job satisfaction (Mathieu et al., 1993; James and Tetrick, 1986; James and Jones, 1980), individual job performance (Brown and Leigh, 1996): (Pritchard and Karasick, 1973), organizational performance (Lawler III et al., 1974; Patterson et al., 2004), and innovation. (Patterson et al., 2005).

In the healthcare context, several studies have outlined the importance of organizational climate, there is an increasing interest in study the relationship between organizational constructs and health services outcomes (Clarke et al., 2002; Jackson-Malik, 2005; Mok and Au-Yeung, 2002; Sleutel, 2000; Stone et al., 2006; Wienand et al., 2007b; Carlucci et al., 2009; Gershon et al., 2004; Appelbaum, 1984).

between organizational climate and empowerment among the nursing stage of a regional hospital in Hong Kong. The results of their investigation show that organizational climate and supportive leadership and teamwork are related to empowerment. (Clarke et al., 2002; Stone et al., 2006; Sleutel, 2000; Mok and Au-Yeung, 2002)

To summarize this literature review it could be understood that, Organizational Climate sometimes synonymously used with the word Organization Climate. However, there is a thin line of differentiation between these two concepts. As an organization structure is one of the important aspects of Organizational Climate it affects the overall nature of all levels of management of the organization. Health care organizations have noticeable different and bit complicated organization set up. This is because in health care organizations all levels of management will interact with the public in one or the other way very frequently.

Clinical Governance is that critical part of health care organization which is as important as manufacturing process for manufacturing companies and supply chain process for trading company. In health care organizations every employee is part of clinical governance directly or indirectly. So also equally important are Corporate Governance and Corporate Social Responsibility. In this thesis the question whether clinical governance and CSR relates to Corporate Governance is addressed along with the question about the relationship of Organizational Climate with Corporate Governance.