

CSR as a Means of Risk Management in the Healthcare Sector: The Case of "Social and Health System - Regione Lombardia (Italy)"

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Abstract. *The aim of the paper is to analyze how socially responsible behaviors can be considered as risk management tools. In particular, the underlying objective is to highlight the existence of a link between CSR and risk management within the healthcare sector of the Lombardy Region (Italy). The research is divided into two sections and the approach used combines both descriptive analysis and quantitative analysis methods: in the first part will be analyzed the concept of corporate social responsibility and risk management, describing the same concepts in the healthcare sector. In the second part, in order to highlight the CSR-risk management link, the paper analyses the web sites of the 8 health protection agencies of the Lombardy Region, created following the reform of the social and health system in Lombardy (Regional Law 23/2015) which has, among other things, transformed the former ASL (Local Health Authority) into ASST (Agency of health protection). In our paper we demonstrate how a double bond (a double relationship) between CSR and RM exists. The first link classifies the CSR as an RM tool. At the same time, the RM can be considered a tool to demonstrate the social responsibility of the institution (or as a tool to prove that an institution is socially responsible). This paper presents elements of originality as there are no papers in the literature that jointly consider CSR and RM in the healthcare field. There is also a gap in this respect in the non-health field. The main limitation consists in the sample investigated: the analysis is limited to the 8 ATs of the Lombardy Region; therefore, it does not consider the 27 ASSTs (territorial social and health companies) and does not consider the ASLs and the AOs (hospital companies) of the other Italian Regions.*

Keywords: *CSR; Healthcare sector; Lombardy Region; Risk Management; Social and health system.*

Introduction

The concept of corporate social responsibility (CSR) has been extensively studied in the literature (Singh, 2016; Hąbek & Wolniak, 2016; Arru & Ruggieri, 2016; Amelio, 2016; Gazzola & Mella, 2017; Saka, Noda & Jimichi, 2018; Dyck et al., 2019), mainly with reference to the private sector (profit and non-profit) (Castelló & Lozano, 2009). On the contrary, this issue has not found fertile ground in the healthcare sector although the strong relationship that links healthcare to society is important (Jamali, Hallal & Abdallah, 2010).

In literature, the theme of risk and risk management (RM) in the healthcare sector followed the same evolutionary path of CSR. In fact, it has gained on significance only in the last 10 years (Capocchi et al., 2019).

CSR is now considered as a "type of license to operate" for all sectors (Story & Price, 2006; Middlemiss, 2003). As Davis (1973) argues, CSR refers to "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements to the firm [...] to accomplish social benefits along with the traditional economic gains which the firm seeks". It is related to the commitment of business organizations to "contribute to sustainable development, stakeholder issues/concerns and improvement of social conditions (Jamali et al., 2008)

The interest in CSR is also demonstrated by the birth of numerous study groups (Gazzola, Ratti & Amelio, 2017).

In the healthcare sector, CSR, although little investigated, plays an important role due to the relationship between healthcare and society (Russo, 2016): the healthcare receives from the society the mandate to take care of patients. The most important task of the health firms is to provide service to society (Abela, 2001). The health sector is however particular and different compared to the other economic sectors as the characteristics of the "patient" are different from those of the "client". This is why a healthcare company cannot use methods and strategies deriving from other sectors.

As Russo (2016) states, CSR literature in the healthcare sector could be divided into three groups, based on the relationship between society and health:

- social responsibility and organization;
- social responsibility and social impact;
- social responsibility and competitiveness.

The first group derives from Spencer et al. (1999) opinion for which organization is the key link between the economic-financial, human and social dimension: "a healthcare organization [...] is [...] a provider organization with an administrative structure consisting of a board of directors, management personnel and professionals, and which supplies [...] services to individual patients and groups of patients".

The second group comes from the Drucker (1989) thought "their first social responsibility is to do their job" from which it emerges that they must be responsible for their impact, acting as a member of a community.

CSR is also a tool to generate profit and to get competitive advantages (third group). In this sense, CSR could be considered as a share responsibility to use resources effectively to deliver better health (Galvin, 2010), an instrument to promote a more competitive, efficient and accessible healthcare sector.

In relation to this aspects, more and more institutions operating in the healthcare sector adopt CSR activities in their work programs (Lubis, 2018). In particular, CSR activities influence the hospital reputation among stakeholders and, consequently, the hospital value (Susanto, 2009; Inleh, Bartlett, & May, 2011; Doda, 2015). For this reason, Lubis (2018) demonstrates that CSR should be considered a strategic tool.

As Clarke and Gibson-Sweet (1999) highlight, companies operating in the healthcare sector, are inclined to use their annual reports to improve the reputation.

In literature there are many studies on the relationship between CSR and RM (McGuire et al., 1988; Feldman et al., 1997; Orlitzky & Benjamin, 2001; Husted, 2005; Godfrey et al., 2009; Oikonomou et al., 2012; Salama et al., 2011). In general, these studies show a positive correlation between the performance of CSR activities and the presence of risks within the company. Consequently, if CSR activities reduce corporate risk, CSR activity becomes critical and vital in sectors intrinsically characterized by risk, such as the healthcare sector.

Starting from these assumptions, the aim of the paper is to demonstrate how a double relationship between CSR and RM exists. The first link classifies the CSR as an RM tool. At the same time, the RM can be considered a tool to demonstrate the social responsibility of the institution (or as a tool to prove that an institution is socially responsible). To demonstrate the existence of this double bond, the paper is divided into two sections. In the first part will be analyzed the concept of risk management, describing the same concept in the healthcare sector. In the second part, in order to highlight the CSR-risk management link, the paper analyses the web sites of the 8 health protection agencies of the Lombardy Region, created following the reform of the social and health system in Lombardy (Regional Law 23/2015) which has, among other things, transformed the former ASL (Local Health Authority) into ASST (Agency of health protection).

Risk management and the healthcare sector

Business risk can be defined as “a risk inherent in a firm’s operations as a result of external or internal factors that can affect a firm’s profitability” (Jo & Na, 2012). There are in particular two types of risk: systematic risk (risk that affects most corporate assets and is also called market risk) and unsystematic risk (which affects a small number of assets and is called firm-specific unique risk) (Ross et al., 2011).

In reality, it is not easy to catalog and define the concept of risk, in doctrine and in practice there are in fact different definitions of risk. In particular, it is worth remembering what the IRM (Institute of Risk Management) states, but also what the economic and business-economic academics say. The IRM claims that risk is a combination of the probability of an event and its consequences that can be positive and negative. In the business economic studies, the risk is configured as “an inevitable condition inherent in the prediction of a future event or occurrence of which neither the methods of development nor the effects deriving from its manifestation are known in advance” (Sassi, 1940). According to Bertini we can have: conceivable risks (such as those arising from known situations in the life of the business system); risks that cannot be hypothesized (such as those related to lesser-known business situations that can be estimated only partially); risks not conceivable (linked to situations of absolute abnormality, and for this reason they cannot be linked in terms of cause and effect) (Bertini, 1969).

There are relations between the concept of risk and that of uncertainty. F.H. Knight (2012) was the first scholar who introduced a distinction between the two concepts, and argued that the risk is due to uncertain current or future events, but with relative frequency, therefore with a known or determinable probability distribution through experience. It follows that the risk exists when the uncertainty is measurable by means of statistical indicators - probabilistic. Instead the uncertainty is referred to events of which the probability distribution is not certain a priori. Furthermore, Knight argues that “risk can be treated, eliminated or insured, while uncertainty needs a decision-maker to be resolved”. Hardy (1931) derives the risk from uncertainty, as this can be linked to the damage it can cause. In essence, the risk exists because there is no certainty about the outcome of a given event.

For these reasons every economic-social system must adopt risk management systems: there is no sustainable social-economic development if the institutions do not assume the risks deriving from their activity and manage them. The RM in particular is defined as the set of coordinated activities, useful for guiding and controlling an organization with reference to the risk (ISO 31000 “Risk management – Principles and guidelines”).

As previously stated, the healthcare sector has particularities that distinguish it from other sectors, which is why risk management becomes a strategic activity essential for the survival of the hospital.

As Capocchi et al. (2019) remember, RM in the healthcare sector is “a system composed of several processes by which organizations try to estimate, measure, and prevent risk in order to reduce negative impacts on different variables, such as technical and economic aspects”. To reduce risks in healthcare over time, various tools have been used: from insurance coverage (Harrington & Niehaus, 2003) to the most recent managerial tools, techniques and methodologies (Messano et al., 2014), including training (Capocchi et al., 2019) and various CSR activities.

The set of risks that the company faces at a given time is called a “risk profile”. The nature of this profile and its composition are influenced by the corporate purposes, as well as by the characteristics of the internal and external environment in which it operates (Kohn & Corrigan, 1999). In the health sector it is a function of the company mission (in particular, the type of company considered and the level of specialization of the services offered: ASL, AO, IRCSS), the combination of the epidemiological and socio-cultural characteristics of the population, the institutional characteristics of the systems reference healthcare (the external environment), the available professional skills, the availability and functionality of the internal control systems of the internal organizational environment and the organizational culture (the internal environment). The description of the risk profile is an operation that cannot be generalized and must be based on assessments conducted in the specific company context, integrating all possible information. Furthermore, the risk profile is extremely dynamic, which is why management has the responsibility to adopt systematic detection systems to constantly monitor their evolution.

The characterizing and priority part of the risk profile of the healthcare companies is constituted by the clinical risk dimension (Cagliano, Grimaldi, & Rafele, 2011; Sale, 2005; Kohn & Corrigan, 1999), defined as the probability that a patient is the victim of an adverse event (damage or discomfort), attributable, even if involuntarily, to medical treatment lend him during a period of hospitalization and able to cause a prolongation of the period of hospitalization, a worsening of health conditions or death. At the base of every adverse event it is always possible to identify one or more errors, committed by individual operators or by the organizational system (processes, procedures, division and individual workloads).

Therefore, as suggested in the doctrine (Lucas, 1997; Reason, 2001), to reduce errors, it is necessary to adopt risk management systems, but risk management systems in the broad sense, as in fact the tool of CSR activities in the present study is considered.

CSR and RM: is there a link?

As previously stated, the objective of this paper is to demonstrate the existence of a double bond that correlates CSR and RM.

In literature, several authors have implicitly identified this link, although they focused primarily on a unidirectional link (CSR → RM or alternatively RM → CSR) without grasping explicitly the existing two-way relationship between the two concepts (CSR → RM and simultaneously RM → CSR). In other words, the bidirectional link can be explained as: The first link classifies CSR as an RM tool. At the same time, the RM can be considered a tool to demonstrate the social responsibility of the institution (or as a tool to prove that an institution is socially responsible).

Story and Price (2006), showing the results of their research, demonstrate that CSR is a tool of RM (first link), indeed “CSR activities were important to responding organizations mainly as a means of improving risk management systems, enhancing the organization’s image as well as for ethical reasons”. Moreover, they later state that classifying the risks, a typical step of the RM, is a CSR activity.

Unerman (2008) believes that CSR is a tool to minimize reputation risk (first link) when he states that “a prime motive for corporations to report on issues of social responsibility is a desire to minimize risks to their reputations”. The company’s reputation is indeed “a valuable asset which needs to be protected and developed, and a key aspect of this reputation is stakeholders’ perceptions of the corporation’s CSR – or, more precisely, perceptions of how well the corporation’s CSR policies, practices and outcomes meet stakeholders’ social and environmental values and expectations”. Companies generally use social reports as a means of increasing corporate reputation (Clarke & Gibson-Sweet, 1999), especially when “negative incidents occur that expose CSR shortcomings of particular corporations or industries”, of which the healthcare sector is certainly part, being exposed more than other industries to risks of error. Moreover, in the context of CSR and competitiveness (Russo, 2016), of fundamental importance is the hospital’s moral reputation.

Husted (2005), conducting a literature review, found a negative correlation between CRS and RM: even in this case evidence of the first bond (first link) emerges but not of the second. In particular, considering CSR as a form of investment, he states that the greater the investment in CSR activities, the lower is the business risk to manage. The higher RM, less CSR, is not verified.

Jo and Na (2012) found that “CSR engagement inversely affects firm risk after controlling for various firm characteristics”. Also in this case, there is evidence of the first link (“CSR engagement helps their risk management effort”) but not of the second. Fundamental is what they say later, namely that CSR is a more powerful tool than other forms of risk management insurance.

Castellò and Lozano (2009) explicitly emphasize that “In the risk management posture, CSR is seen as a tool to protect reputational value.”. In this case, reputational value is considered by the authors as an element of risk to be managed (therefore as an element of RM). CSR activities consequently act as a tool for risk management (first link).

As from the conducted literature review emerges, the main topic studied by the authors is attributable to the first link. The second link is traceable (but only minimally) in Story and Price (2006), although the

authors simply state that classifying the risks is an activity that falls within the corporate social responsibility and not that through this activity the company proves to be socially responsible. Indirectly, however, they come to say that RM is a way to demonstrate the CSR of a company.

Social and health system – Regione Lombardia

In Italy, The National Health Service (SSN) is a system of structures and services that have the purpose of guaranteeing all citizens, under conditions of equality, universal access to the equitable provision of health services, in implementation of Article 32 of the Constitution. It is a public body or a structure delegated by the state to provide healthcare through the provision of generic and specialized medical services to the citizen, in accordance with specific rules of public law. The SSN is not a single administration, but a set of institutions and bodies that contribute to achieving the objectives of protecting the health of citizens. In particular, regional health services are part of the SSN, including the "socio and health system of the Lombardy Region".

In the Lombardy Region, it includes eight Health Protection Agencies (ATS) and twenty-seven Agency of health protection (ASST), as a result of regional law n. 23 of 11 August 2015, as well as various other types of structures subject to regional socio-health planning. ATS and ASST replaced the ASL (local health authorities) and the AOs (hospital companies).

In order to highlight the CSR-risk management link, the paper analyses the web sites of the 8 health protection agencies (ATS) of the Lombardy Region, which are: ATS Bergamo, ATS Brescia, ATS Insubria, ATS Val Padana; ATS Milano Città Metropolitana, ATS Brianza, ATS Pavia, ATS Montagna.

In order to evaluate the level of connection, this part is developed through the following steps:

- selection of the companies surveyed (8 ATS of Regione Lombardia)
- selection of the documents to be analyzed
- analysis of the main result upon the objective of the research

Results and discussion

The first step of the analysis consists in the selection of the 8 ATS of the Lombardy Region and in the consequent exploration of the relative websites (Table 1).

Table 1. ATS (my own)

| | ATS | website |
|---|--|---|
| 1 | 322 - ATS DELL'INSUBRIA | https://www.ats-insubria.it/ |
| 2 | 324 - ATS DELLA BRIANZA | https://www.ats-brianza.it/it/ |
| 3 | 321 - ATS DELLA CITTA' METROPOLITANA DI MILANO | https://www.ats-milano.it/portale |
| 4 | 323 - ATS DELLA MONTAGNA | http://www.ats-montagna.it/ |
| 5 | 327 - ATS DELLA VAL PADANA | http://www.aslmn.it/ |
| 6 | 325 - ATS DI BERGAMO | https://www.ats-bg.it/servizi/notizie/notizie_homepage.aspx |
| 7 | 326 - ATS DI BRESCIA | https://www.ats-brescia.it/bin/index.php |
| 8 | 328 - ATS DI PAVIA | https://www.ats-pavia.it/ |

Once the sample under study is identified, the second step consists in selection of the documents to be analyzed. Since the study focuses on the analysis of CSR - RM link, the selected documents are mainly of two types:

- annual risk management plan
- sections dedicated to CSR on the website.

As previously stated, RM in Healthcare represents the set of actions implemented to improve the quality of health services and ensure patient safety, safety based on learning from error.

The Lombardy Region, with Circular 46/SAN dated December 27, 2004 "Guidelines on the management of health risk" has formalized the guidelines for risk management in healthcare, defining the strategy and operating methods to implement a Risk Management system within the ATS and ASST. The implementation of the contents of the aforementioned circular was substantiated by the documents: Note dated 3 August 2005 on the subject "Further information regarding circular letter 46 / SAN dated 27 December 2004"; Note dated 29 September 2005 on the subject "From risk management to new forms of negotiation for the improvement of insurance services"; Note dated December 14, 2005 on the subject of "Guidelines for the annual planning of risk management activities". The implementation of the contents of the aforementioned circular was substantiated by the documents: Note dated 3 August 2005 on the subject "Further information regarding circular letter 46 / SAN dated 27 December 2004"; Note dated 29 September 2005 on the subject "From risk management to new forms of negotiation for the improvement of insurance services"; Note dated December 14, 2005 on the subject of "Guidelines for the annual planning of risk management activities". Subsequently, every year, through the normative instrument of the Note (with subject "Risk management operational lines"), the Regional Council of the Welfare Factors Productive Directorate provides that each agency has to draft the PARM.

The annual risk management plan (PARM) is the business tool to promote and implement initiatives for the operational definition and risk management. The Plan is drawn up annually in line with regional indications and with the 18 Ministerial Recommendations on clinical risk. In PARM, projects and actions are identified, based on clinical risk objectives, which will be developed during the year and the correlated centers of responsibility, resources and mechanisms for monitoring the progress of activities will be defined. The Plan proposal is formulated by the Risk Manager in agreement with the Coordination Group for Risk Management activities and the Claims Evaluation Committee.

The results of the second step are summarized in the following table 2.

Table 2. CRS-RM (my own)

| | ATS | CSR | | |
|---|--|-------------|-------------------------|----------------------------|
| | | PARM | Social report | Section within the website |
| 1 | 322 - ATS DELL'INSUBRIA | yes 2018 | no | yes |
| 2 | 324 - ATS DELLA BRIANZA | yes 2018 | no | yes |
| 3 | 321 - ATS DELLA CITTA' METROPOLITANA DI MILANO | yes/no 2016 | no | yes |
| 4 | 323 - ATS DELLA MONTAGNA | yes 2018 | yes (mandate report) | yes |
| 5 | 327 - ATS DELLA VAL PADANA | yes 2018 | no | yes |
| 6 | 325 - ATS DI BERGAMO | yes 2018 | yes (social report) | yes |
| 7 | 326 - ATS DI BRESCIA | yes 2018 | no | yes |
| 8 | 328 - ATS DI PAVIA | yes 2018 | no | yes |

As it is possible to understand from the table, all the ATS present the PARM annually, although for an ATS the PARM (with the words "Annual risk management plan") has not been traced but only a document (dated 2016) entitled "Evaluation document of risks".

In relation to the CSR, only 2 ATS have published the social report (document not required by the Italian law) but, all the ATS have sections within the website that can be linked to the social responsibility of the agency. In reality this latter result is not surprising given the activity carried out by the ATS, within a sector with a high impact on the human person such as health.

As emerges from the reading of the PARMs, the areas of intervention of the risk management concern:

- Risks related to welfare activities directly provided to citizens (screening, continuity of care);
- The risks associated with failure to respect the fundamental rights and principles set forth in the Code of Ethics of the Body (confidentiality of personal and sensitive data, correct management of information and

acquisition of consent to the proposed therapeutic diagnostic act, correct management of the health documentation also under the administrative profile, homogeneity and fairness of treatment);

- The environmental risk (of structures and systems) that involves workers for whatever reason operating in the Company, users and visitors;
- The risks connected to work activities, in particular to work-related stress.

It is clear that these issues included in the RM of the healthcare companies analyzed, are typical CSR themes. The first link highlighted above therefore clearly emerges, namely that CSR is an RM tool.

However, the second link also emerges, namely that RM can be considered a tool to demonstrate the social responsibility of the institution (or as a tool to prove that an institution is socially responsible). In 6 cases, in fact, the ATS do not publish social reports (they only have sections within the website that could be compared to the CSR). But despite this, they are socially responsible companies since, by publishing the PARM, they are able to prove that they are socially responsible towards the various stakeholders involved. Moreover, to greater demonstration of this, the 2 ATS that publish the social report, dedicate inside of it some sections to the topic of the risk.

Conclusions

According to Russo (2016), “a hospital which operates in a free market (which manages the rules of the game) is allocating scarce resources in the best way, because society can reach an optimum point, according to Pareto’s theory. [...] However, in the presence of informative asymmetries, a typical situation in the healthcare sector, Pareto’s optimum cannot be reached”. For this reason, it is necessary to act on such informative asymmetries. Literature place great emphasis on the necessity that a responsible healthcare agency uses scarce resources appropriately and the main way to prove it is through documents published on the website.

A responsible agency therefore needs a monitoring system of its activity and in particular of an adequate RM system. In the Lombardy Region, RM is, as seen, an obligation imposed by the Law. In particular, in every healthcare company there is a Risk Manager who coordinates and implements the annual risk management plan in the company. Furthermore, at regional level, with the support of a group of technical experts, guidelines are drawn up annually, training courses, quarterly networks, collection and analysis of sentinel events are organized, benchmarking reports are prepared on accident reporting, training and support to the network of corporate risk managers.

Based on the analysis conducted, the study demonstrates the double strong connection between CSR and RM in the healthcare sector. This paper presents elements of originality as there are no papers in the literature that jointly consider CSR and RM in the healthcare field under the double perspective of analysis. There is also a gap in this respect in the non-health field. The main limitation consists in the sample investigated: the analysis is limited to the 8 ATS of the Lombardy Region; therefore, it does not consider the 27 ASSTs (territorial social and health companies) and does not consider the ASLs and the AOs (hospital companies) of the other Italian Regions.

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