Chapter 16
Analysis of Investment Decision Making in Private Hospitals:
Qualitative Study of the Process of Investment

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ABSTRACT

This study seeks to define a model outlining the importance of private hospital managers' competences the profile role of the manager private hospital the process and the relationship with analyses for investment decision making in private hospitals in order to orient future work to improve contribute to health institutions' performance. Qualitative interviews were held in Brazil and Canada, analysed through the conventional content analysis method, and coded using NVivo 11. A model of analysis for investment decision making is proposed and can be used to improve resource allocation and hospital performance. The results point out the importance of a multidisciplinary management training of managers that makes contributes to good an efficient use of resources and that contributes to maintains quality in patient care, including with regard to investment and financing of hospitals where performance analysis contributes to decision making.

INTRODUCTION

The manager's involvement is considered an important factor in planning, analyses and decisions on investment in hospitals. The hospital is a complex organisation making active use of human resources,

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capital, technology and knowledge, with hospital governance playing a fundamental role in the context it is part of, related to the specific type of service — healthcare provision (De Pourcq et al., 2018). Hospital governance refers to the complex set of checks and balancing that determine the decision-making of hospital governance organs leading to global functioning and effective performance through defining its mission, objective-setting and operational support (Moll et al., 2009; Eeckloo et al., 2004), allowing integrated access to support and monitor all the hospital's activities, including clinical performance (Torres et al., 2018).

The initial level of financing is the main way to reduce the weight of the project's risks in private hospitals (Akintoye & Chinyio, 2005). Definition of the risk found here is observed in different contexts, such as risks that affect institutions' financial performance (Ch & Jola, 2017; Kuntz et al., 2016; Ngo et al., 2016; Stathopoulos & Voulgaris, 2016) and the volatility of companies' stock return (Jizi & Nehme, 2017), as well as risks associated with organisational decision-making on investments and agency costs due to withholding information (Hsu et al., 2019; Shan et al., 2018; Thaiyalnayaki & Divakara, 2018;Ouyang & Hilsenrath, 2017). In 2009, the Regional Committee of the World Health Organisation (WHO, 2009) for the Eastern Mediterranean emphasized the importance of management and leadership in hospitals due to being a significant part of the health system and representing from 70% to 80% of health costs. Good management practices have been adopted as a way for hospitals to create value and improve health results (Bloom et al., 2009). Managers in the area of health, particularly, need to cope with a much greater number of challenges, difficult decision-making and problem-solving linked to strategic thinking (Toygar & Akbulut, 2013).

Understanding the factors affecting the adoption of better management practices is fundamental for improved performance. A hospital's specific characteristics can affect the quality of best management practices, such as size, the complexity of care, staff qualifications and skills, health teams' autonomy and capacities, managers' communication skills, and the organisational hierarchy that can orient reforms in medical care, destined to provide high quality health services in hospitals (Holá et al., 2020; Agarwal et al., 2016). The manager's role continues to grow in importance, as the healthcare sector evolves and is concentrated more on managing the population and relations with those making payments and suppliers in the community (Stark, 2020; Bankston & Birmingham, 2015; Toygar & Akbulut, 2013).

The great majority of national health systems have major financing problems, due mostly to the changing demographic paradigm and the introduction of new technology which result in continuously increasing expenditure. Therefore, states are forced to adopt rigorous policies to contain the growth in expenses, and the one with greatest impact on the efficiency of healthcare provision is improvement of the hospital financing model. Considering the absence of an ideal financing model, the models must constantly be discussed so as to evaluate whether more efficient alternatives exist and give greater sustainability to health systems and greater quality in providing healthcare to the population. In the private hospital sector, profit is essential and sometimes a small added value does not require major investment (Lüleci et al., 2015). According to Siskou et al. (2008), increased private expenditure on health and the sector's development are associated with increased demand for services and the lack of public resources and financing, leading the private sector to fill the gap through increased investment (Fernandes & Nunes, 2016). Managers can improve the efficiency, effectiveness, response capacity and sustainability of health services, whether public or private (Kakemam & Dargahi, 2019; Pillay, 2010), but various studies indicate difficulties for public hospital managers in decision-making on investment due to a wide range of budget restrictions and insufficient government transfers that impede the planning of improvements (Diaconu et al., 2020; Gordon et al., 2020; Pericleous, Amin & Goeree, 2019).

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