

Chapter 17

Hierarchies and Holdings: Implications of SME Entrepreneurship for Enhanced HRM in Hospital Management

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ABSTRACT

This chapter proposes that key features of New Public Management (NPM) in complex public service organisations, such as teaching hospitals, are less new than a reversal to Weberian hierarchy, Fordist concern with throughput rather than quality, Taylorist standardised performance criteria, and Foucauldian surveillance. While this judgement is severe, it illustrates that such management models combined with market or quasi-market criteria have been dysfunctional in the UK in near trebling administrative costs, demotivating health professionals, and in the view of their professional associations, risk destroying the principles of a national health service. It proposes that those concerned to counter this could draw on more plural modes of management in public sector institutions such as holding companies as a model for reforms in hospital organisation, which could enable a degree of relative autonomy for individual services and units similar to that typical of small- to medium-sized firms. It distinguishes organisational logic as the basis for economic efficiency from operational logic as the basis for social efficiency in terms of psychological wellbeing of both health professionals and patients. It submits that doctors as managers of staff in different services and units need relative autonomy for effective implementation of Human Resource Management (HRM) practices at operational levels to be able to enhance purposeful engagement and vocational commitment to health as public service as well to enable psychological contracting into change. Informed by a case study within a socio-cognitive approach in a major European teaching hospital, it then draws implications concerning the merits of a holding company model for hospital organisation.

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Services should be autonomous to the maximum possible degree... This would be an organisation which is a holding in the sense that there are various enterprises within an overall management framework (Félicio, Couto, & Caiado, 2012).

INTRODUCTION

As illustrated by Félicio, Couto and Caiado (2012) it is characteristic of successful small and medium firms that their entrepreneurship combines a high degree of self-direction, autonomy, openness to innovation and purposeful engagement. By contrast, a stereotypical perception of public sector institutions is that they offer jobs-for-life, reinforce vested interests without concern for performance, are hierarchical, bureaucratic, inflexible and inhibit innovation (e.g. Friedman, 1980; Lindbeck and Snower; 1988; Le Grand, 1997). This chapter claims that this case is overdrawn and, in key cases, false. It illustrates flexibility and innovation in public sector companies and institutions, some of which started as small and medium firms but then became global giants. It also draws on evidence from state holding companies which have allowed a high degree of autonomy to management at operational levels similar to that of entrepreneurial SMEs. It recognises that large firms and small firms clearly differ in key regards. The bigger a firm - or institution - the greater is the need for structured organisation, but also the risk of inertial Weberian hierarchy and bureaucracy (Legge, 2005). Smaller firms and start-ups driven by inspired entrepreneurs may have greater flexibility and scope for innovation, such as Steve Jobs and Steven Wozniak who founded Apple, yet not initially develop a sustainable business model while others such as Hewlett and Packard, started by the two of them in a garage, then may devolve so much that they lack sufficient coordination to sustain initial success (Waters & Nuttall, 2012).

Inversely, change such as New Public Management (NPM) in health services may presume to

be innovative, entrepreneurial and progressive without recognising that new layers of management introduced to monitor performance may reinforce hierarchy and bureaucracy (Leys & Player, 2011; Oliveira, 2011 a, 2011b). Such NPM also may mirror the private sector in seeking a more entrepreneurial culture yet fail to allow relative operational autonomy for different services and units, while market based performance criteria, and the introduction of line managers to assess this, may de-motivate health professionals and encourage resistance to and attrition of an NPM model (Bolton, 2004, Warwick, 2012).

This chapter first considers such outcomes in British NPM health reforms and submits that their implicit logic has been regress to Fordist inflexibility, Weberian hierarchy and Foucauldian surveillance through neo-Taylorist performance criteria. Second, it relates this to attraction-selection-attrition (ASA) models (Schneider, 1983, 1987, 1990, 2008) and extends both the ASA model and how health professionals may initially be attracted to the case for NPM yet then be disillusioned by how its hierarchical logic disregards variable performance needs for different units and services to theories of breach of psychological contract (e.g. Rousseau, (1989, 1995, 1998; Rousseau & Parks, 1993) and frustration of purposeful engagement at work (Robertson & Cooper, 2010). Third, it contrasts such hierarchical logic with holding companies in both the private and public sectors and the greater degree of relative autonomy that they allow for operating management. Fourth it develops the case that for distinguishing operational from organisational logics at different levels of management and illustrates success in achieving this in a Scandinavian teaching hospital. Fifth, it suggests an 'enhanced' HRM model which would allow greater relative autonomy for managers of units and services within a major organisation such as a hospital much as may be the case for small or medium firms within a private sector holding company.

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