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Agreements on Objectives, an Integral Part of Hospital Management Systems

Competitive pressures in the health sector are encouraging the formation of larger companies, some of which are internationally active. The integration of previously independent entities is a significant challenge, particularly where there are different corporate cultures.

Surveys have consistently shown that around 50% of mergers and acquisitions fail, often because so-called "soft facts". These factors include the internal, unconscious rules of a company, the communication style employed and the tools used for human resources management.

Organisations, however, have to find experts in a tightening labour market in which new recruits are scarce.

Against this background, a team from the University of Applied Sciences of Osnabrück carried out a study of how management instruments are used in selected hospitals in Sweden, England and Germany and how staff perceived these tools (fig. 1). Taking "agreements on objectives" as an example of a management instrument that has been established both in theory and practice, the team identified significant variations.

Examples from Three Countries

In Germany, hospitals in the public and voluntary sectors were selected for the study because these sectors are considered likely to be most affected by the consolidation process under way in the healthcare market. The German sample was compared to English and Swedish hospitals run by a private healthcare company, which has been operating at pan-European level since making a series of acquisitions.

The company could be considered a "typical" buyer in a privatised German hospital market.

The starting point of the study is a quantitative analysis of the use of agreements on objectives in German hospitals in 2004 (n=53). This indicated that while 51% of respondents (primarily managers) had experienced these agreements, their managerial integration was minimal.

The three-country study built on these initial results by carrying out problem-centred interviews (n=23) in 11 different hospitals. Physicians, nurses and administrators – were questioned.

The chosen research method offers a good insight into the factors to be considered when a private investor acquires hospitals in international markets—in this case, Sweden, England and Germany. In interpreting the research results, it is nonetheless important to note that the differences identified are not necessarily specific to the countries under review. On the contrary, these differences are influenced to a significant degree by the relevant parent company.

Staff Perceptions

Agreements on objectives are an established management tool in Sweden and England where they are used more widely than in Germany. This is important in light of the finding that many members of staff in the German hospitals were unfamiliar with the corporate objectives of their institution. However, the most significant differences were found in the evaluation of agreements on objectives as a management instrument (fig. 2).

The findings show that agreements on objectives are rarely perceived as an instrument of control in the Swedish hospitals. On the contrary, their positive features are accentuated and respondents ascribe to them the following characteristics: they contribute to the success of the institution, enhance motivation and greatly facilitate communication. In contrast, the data show that employees in Germany tend to perceive agreements on objectives as an instrument of control, although German respondents also ascribed a measure of success to them provided they are used appropriately.

Leadership Style and Corporate Culture

A broader analysis of leadership style in the hospitals in the three countries is useful in attempting to explain the differences that emerged in the perception of agreements on objectives.

This analysis shows that leadership styles in the institutions studied in Sweden and England, all of which are owned by corporations, were based on similar values and visions. In most cases, tools such as agreements on objectives, employee appraisal and continuing education are considered useful and applied in a systematic manner. In the German hospitals the team was unable to identify universally applied management systems or strategies that focused on human capital. The only positive rating in Germany was recorded in nursing.

The absence of universality means leadership is evaluated differently in the various hospitals (fig. 3). Leadership style is rated significantly better in Sweden and England than in Germany. Factors that are considered to be a direct consequence of a particular leadership style are helpful in terms of decision-making, awareness and integration. It was noted that the experience of leadership style in England and Germany is an ambiguous one. On the whole, leadership is perceived by Swedish respondents in a more supportive and integrative light. It is interesting from this perspective that leadership positions in Swedish and British institutions are frequently occupied not by experts in particular fields but by qualified managers, another uncommon practice in German hospitals.

Respondents in Sweden and England also underlined the fact that the positive, supportive corporate culture based on clear values and visions was a result of the acquisition of their hospital by a multinational company.

In England, in particular, this culture was described as unusual when considered in the context of the national culture. It can be assumed that this culture is attributable to the internal characteristics of the parent company. Country-specific cultural differences do not, therefore, exert a decisive influence on corporate culture, even against this background. This assumption is supported by the finding that, notwithstanding a number of organisational and structural distinctions, strong similarities were found in the corporate cultures of the hospitals in Sweden and England operated by corporations. However, in Sweden communication is described as less formal and hierarchies are noticeably flatter than in England.

In the German public and voluntary hospitals which featured in the study, rigid hierarchies and deep-seated conflicts strongly influence the corporate culture. It can be assumed that the strong focus of the various occupational groups on their own interests is a key factor in this regard. The "three pillars" model of administration, medicine and nursing is reflected in parallel, internal organisational structures. The lack of transparency in communication and decision-making suggests a culture of mistrust in the German hospitals. The strongest efforts to achieve a positive corporate culture appear to be under way in nursing. In contrast, the merged hospitals in Sweden and England have, since their realignment, already opted for new organisational structures and a stronger focus on processes and patients is discernible.

Conclusion and Outlook

The findings of the study cannot be universally applied. However, they can be used to raise awareness of the fact that, notwithstanding cultural differences between countries, management tools can be deployed effectively during company mergers.

The British and Swedish interviewees emphasised the gradual introduction of value-oriented corporate leadership following the acquisition of their hospital by a large corporation. They also noted that the consistent use of participative management instruments

- specifically agreements on objectives
- had positively changed highly diverse hospital structures.

The successful use of agreements on objectives requires the creation of sound foundations. For example, managers must be offered personal development training to prepare them for performing their role. They must be given time to manage and should agree on objectives. A rolling information and communication strategy based on a culture of openness is a further critical success factor for the staff to understand and contribute. The iceberg model is frequently used in characterisations of corporate culture to illustrate the fact that underneath the visible surface of "hard facts", unspoken and even unconscious rules apply. These rules are essential if agreements on objectives are to be used effectively.

The implementation of individual management tools is not sufficient to guarantee the success of mergers and acquisitions in the hospital sector. In the planning and implementation phases it is vital to pay greater attention to "submerged" factors (fig. 4). In this regard, it is essential to carry out an analysis of corporate culture

- known as cultural due diligence
- and set clear objectives for the future. These imperatives are particularly acute in international mergers.

The research findings demonstrate that corporate culture can be positively stimulated across national boundaries by value-oriented management, which also allows a basis to be established for the implementation of uniform management systems. The success of mergers and acquisitions in a hospital market in which the European dimension is becoming increasingly important will depend on whether employees feel valued by managers and management tools are experienced in this context.

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