Institutional logics and efficiency pressures in public organizations: what about the healthcare sector?

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Abstract

This study describes the current state of public sector logic from the perspective of healthcare professionals. More than 1500 healthcare professionals answered the survey concerning the way in which values, decision making and aims appear in the public sector. Healthcare professionals felt that the essential value in the public sector is still the respect for human life. However, they also argued that good care has become subordinate to financial values. In the current age of austerity, improving efficiency in the public sector is inevitable. However, it shouldn't be done by jeopardizing professionals' ability to work according to their professional logic.

Keywords: Institutional logics, Healthcare, Efficiency pressures

Introduction

In the past decades, the public sector has faced increasing efficiency requirements. In order to meet efficiency expectations, the public sector has applied managerial practices from the private sector. Unfortunately, the adoption of new practices has not always been successful. (Green, 2012.) One reason for failures is related to the different institutional logics which the public and private sectors represent. The public sector's logic has traditionally been related to providing the best possible services with taxpayers' money, whereas the private sector represents so-called market logic, as it aims to produce financial benefit (Bode et al, 2017; Thorton and Ocasio, 2008). Added to these two logics, some contexts are also under the influence of professional logic. This is the case, for example, in healthcare. Healthcare professionals' institutional logic describes their intrinsic motivation to take care of the patient in the best possible way (Byrkjeflot and

Kragh Jespersen, 2014). Traditionally, professional logic in healthcare has been closer to the public sector's logic than the private sector's. As a consequence, the literature describes conflicting logics if managerial practices from the private sector are applied in public healthcare organizations (e.g. Croft et al, 2015; Noordegraaf and van der Meulen 2008). Healthcare professions have strong autonomy and superiority in knowledge, and they are therefore the key stakeholders in either applying or resisting new practices. If professionals think that their logic — for example its values and practices — is threatened by the organization's logic, they are likely to resist managerial changes (Noordegraaf and van der Meulen, 2008), and changes needed to increase efficiency become difficult to implement.

But what is the current state of public sector logic? Have its values and aims changed irreversibly, or are the conflicts more a matter of poor management? In order to succeed in increasing the efficiency, it is important to study the way in which healthcare professionals experience the current state of public sector logic and whether it conflicts with their professional logic.

Background

Institutional theory is a well-recognised framework in the social sciences, and it describes organizational structures and the way in which they become similar to each other (see Greenwood et al, 2008; Thornton and Ocasio, 2008; DiMaggio and Powell, 1983). However, institutional theory has been criticized for its inability to explain action and change (Greenwood et al, 2008). This gap is filled by institutional logic. Institutional logic aims to explain the way in which simultaneously existing, while typically competing, logics can cause an institutional change (Greenwood et al, 2008). Thorton and Ocasio (1999) define institutional logic as follows: "the socially constructed historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material substance, organize time and space, and produce meaning to their social reality". In other words, institutional logic is a framework consisting of practices, values and beliefs which guide the behaviour. Similar to institutional theory, institutional logic is also a well-established paradigm in management literature. There is a vast number of studies describing the essential characteristics of different logics (Thorton and Ocasio, 2008; Kallio, 2015; Goodrick and Reay, 2011; Reay and Hinnings, 2005) as well as the ways in which logics conflict (e.g. Noordegraaf and van der Meulen, 2008; Besharov and Smith, 2014), compete (e.g. Reay and Hinnings, 2009; Olakivi and Niska, 2016; Townley, 2002; Bode et al, 2017) and change (e.g. Noordegraaf, 2007; Greenwood et al, 2002; Goodrick and Reay, 2011).

There are various logics in our society. For the purposes of this study, the most important logics prevailing in Western societies are welfare logic, represented by public sector organizations, and market logic, represented by organizations in the private sector.

Public organizations have represented so-called welfare logic. This means that public service providers have been following a distinctive societal mission instead of a market orientation (Bode et al, 2017). Consequently, efficiency has not been the key mission of public organizations. As a result, public healthcare organizations have been claimed to be inefficient (Nolte 2012; Green 2012). Inefficiency has partly been due to their hierarchical organizational structures and leaders who have clinical education instead of managerial education. However, external pressures to pay attention to efficiency in the public sector have been evident for several years (Byrkjeflot & Kragh Jespersen, 2014). In the case of healthcare, efficiency pressures are due, for example, to ageing, the development of medical technology and customers' increasing requirements (Shortell and Kaluzny, 2006). Because increasing the budged is not an option, public organizations are guided to

reorganize their operations to cut down inefficient protocols (Green, 2012). In order to do so and increase efficiency, public organizations are typically applying practices copied from the private sector's market logic.

Market logic (or so-called business logic or market orientation) represents the ideology in which the aim is to produce financial benefit for stakeholders. According to this logic, the mission of organizations is to reach a leading market position, and the strategy for this is to have economic operations (Thorton and Ocasio, 2008.) Related to management, decisions are made and performance is measured by leaders who have education in management (Thorton and Ocasio, 2008). In addition, market orientation typically motivates with a carrot and stick and provides more resources for those who have been the most cost efficient. Within market orientation, different safety belts, such as quality assurance schemes, are used to protect organizations from market opportunism (Bode et al, 2017).

In addition to market and welfare logic, the third logic appearing in the service provision context is the logic of professions. A typical example of strong professional logic is the logic of healthcare professionals and doctors in particular. They have long traditions and established positions on healthcare organizations (Byrkjeflot and Kragh Jespersen, 2014). The essential aim for this profession is to provide the best possible evidence-based care for patients. Their logic is intertwined around their intrinsic motivation and their sense of duty related to doing the job the best they can (Kallio, 2015). This professional logic is rather well aligned with the public sector's welfare logic. Therefore, in public healthcare organizations, medical professions have represented the ruling logic. In such organizations, treatments have been conducted regardless of the cost per patient and are accomplished according to professional ethics (Bode et al, 2017).

Related to professional logic, the key stakeholders of the profession are, for example, professional associations, who define the profession's formal education, how professions are legitimated and what the professions' ethical principles are. Associations also indoctrinate new members into the profession through education and by providing norms to follow (Noordegraaf and van der Mulen, 2008; Noordegraaf, 2007). These practices aim to increase the control of the profession (Freidson, 2001) and decrease the external control. Professions typically have strong autonomy over their work and decision making. Drucker stated (1999) that in order to work efficiently, a professional should for example have the ability to organize their work themselves, quantity should not be the primary principle when evaluating their work and professionals want to feel trusted and important.

Based on what has been described above, it is understandable that it is not easy to align market logic and professional logic. Changing well established, partly subconscious practices imbibed by different logics is extremely difficult. For example, changing professional logic would require that professions adapt new practices and values. Traditional tools, such as surveillance or legislation, are not incentive enough to encourage institutional change. (Kallio, 2015.) Some attempts at the coexistence of different logics have been described (McPheron and Sauder, 2002; Reay and Hinnings, 2009), but in most cases, conflicts are inevitable.

In the context of healthcare, conflicts occur when public organizations increasingly apply marked-oriented practices to cope with efficiency pressures (Pollit and Bouchaert, 2000), and professionals are expected to cope with managerial practices such as cost control, indicators, quality measurement, pricing and competition in a quasi-market setting (Noordegraaf, 2007). Market orientation results in putting economic governance as the lead activity while at the same time narrowing the professionals' possibilities to engage in their healing activity (Bode et al, 2017). Furthermore, professions lose their power due to managerial pressures and consumers' persistence (Noordegraaf, 2007).

These expectations set outside of a profession are likely to cause conflict due to which organizational and managerial changes cause resistance among professionals (Noordegraaf, 2015). Croft et al's (2015) results indicate that market-oriented objectives and professional values are not compatible, and professionals are caught in ambivalence about which logic to follow (Bode et al, 2017). For example, efficiency requirements are seen as a threat to the quality of care.

Conflicts can be fatal, as they result in low job satisfaction and low organizational commitment (Kippist and Fitzgerald, 2009). Furthermore, conflicts can decrease the quality of performance as well as resulting in professionals' high turnover (Schafer et al, 2002).

Many studies argue that managerial practices have been applied in public healthcare organizations and many describe the conflicts between professionals and organizations' new managerial practices (e.g. Green, 2012; Noordegraaf and van der Meulen, 2008; Besharov and Smith, 2014). Furthermore, there is a vast literature concerning how clinicians who have become managers experience their conflicting roles (Olakivi and Niska, 2016; Burgess et al, 2015; Croft et al 2015; Byrkjeflot and Kragh Jespersen, 2014). However, the way in which healthcare professionals actually experience the current state of public sector logic has not been described. For this reason, the following research questions can be formulated:

- How do healthcare professionals experience current public sector logic?
- To what extent, according to healthcare professionals, has the public sector turned to represent market logic with regard to values, management practices and aims?
- Does the current public sector logic experienced by healthcare professionals conflict with their professional logic?

Methodology

A technology-assisted survey was sent to all doctors and nurses in one regional public healthcare organization and one private organization operating nationally. Both organizations have approximately 3000 healthcare employees. Professionals were asked their opinions (in a one-to-five Likert scale) about the claims concerning the public sector's logic in general. All healthcare professionals in Finland have experience in working in the public sector at least at some point in their careers, and therefore, all healthcare professionals are expected to have a valid opinion on the public sector's logic. The survey was answered by 740 professionals from the public organization and by 775 from the private organization.

The questionnaire included thirteen questions. Three of the questions were related to the values of the public sector, and four related to management, namely decision making. Three of the questions were related to the aims or mission of the public sector, and three more questions specified how the aims were operationalized in the public sector in regard to efficiency requirements. Questions were formulated based on literature related to the characteristics of different logics (e.g. Thorton and Ocasio, 2008; Kallio, 2015; Goodrick and Reay, 2011; Reay and Hinnings, 2005).

Results

Healthcare professionals from both the public and private sectors experienced strongly that one of the essential values in the public sector is still the respect for human life. They also argued that in the public sector, it is possible to apply the healthcare profession's values at work. However, public sector respondents experienced more strongly than private sector respondents that in the public sector, good care has become subordinate to financial values.

In the survey, the aim of the public sector was operationalized with three factors: the most important aims are to provide good care, to operate efficiently and to operate economically. Differences in opinion between public and private respondents were minor. Respondents felt that the most important aim in the public sector was to provide good care, while efficiency and economy were also considered important. However, the respondents were not satisfied with the way in which efficiency was applied in practice. Although healthcare professionals did not agree that the quantity had overcome the quality, they still strongly argued that the sensibility of the work suffered from the economic pressures.

Based on the results concerning the decision making, market-oriented practices applied in the public sector had not affected the way in which the work was organized. Management was considered hierarchical, and the managers' capabilities were questioned. Respondents also felt that professionals in the public sector could not organize their work as they thought was best. Private sector respondents were significantly more critical towards public sector management than were respondents from the public sector. Private sector respondents evaluated the management as being significantly more hierarchical than did the respondents from the public sector. In addition, these public sector respondents evaluated professionals' possibilities of affecting the ways in which the work was organized as much poorer than did the respondents from the private sector.

Table 1. Healthcare professionals' opinion about public sector logic

In public sector…	Public sector professionals		Private sector professionals			
	mean	*sd*	*mean*	*sd*	*diff*	*sig*
Important value is to respect human life	4,06	0,82	4,09	0,88	-0,04	0.003
Good care has become subordinate to financial values	3,78	0,91	3,49	1,05	0,29	0.000
It is possible to apply professions' values in work	3,85	0,87	3,97	0,94	-0,11	0.000
Sensibility of work suffers from the economic pressures	4,02	0,84	3,85	0,99	0,18	0.001
Today the content of the work is secondary; what is important is to produce as much as possible	3,09	1,18	2,97	1,17	0,11	0.274
Interest is more in quantity than quality	3,16	1,17	3,12	1,2	0,05	0.877
Management is hierarchical	4,06	0,93	4,26	0,81	-0,2	0.000
Management is professional	3,17	1,01	3	1,06	0,17	0.002
Personnel can organize their work as they think is best	2,49	0,98	2,05	0,95	0,44	0.000
Work is organized by the managers	3,78	0,88	3,95	0,9	-0,17	0.000
Most important is to operate economically	3,67	0,97	3,48	1,11	0,19	0.001
Most important is to provide good care	3,75	1	3,72	1,03	0,02	0.605
Most important is to operate efficiently	3,76	0,88	3,48	1,1	0,28	0.000

Although there were statistically significant differences (<0.05 in ten factors out of thirteen) in opinion between the public and the private sector respondents, the differences in means were mostly minor, varying from 0.05 to 0.44. Public and private sector respondents' similar opinions are likely to indicate the validity of results regarding the public sector's current logic.

Conclusion

According to Bode et al (2017), contemporary institutional frameworks encourage healthcare organizations to provide services in a universalistic way while at the same time

becoming businesslike. In this study, it is possible to see the attempts to do so. The public sector's societal values are not jeopardized, and they are still aligned with the main values of the healthcare profession. For example, human life and a good quality of provided care are still important values in the public sector. However, the challenge seems to be in applying managerial practices. According to the results, managerial practices applied to increase efficiency prohibit the sensible arrangement of work.

One indicator of management challenges is the hierarchical structure and the bureaucratic way in which the work is still organized. Based on the results of this study, attempts to move towards more managerialistic management practices have not been successful. This is interesting, due to the fact that typically, managerial practices which aim to increase efficiency often aim to do so by reorganizing the management. In the private sector, the vertical hierarchy is thin, and management and decision making are flexible (Thynne and Wettenhall, 2004; Dunleavy et al, 2005). In public healthcare organizations, this would mean cutting down the vertical management as well as providing professionals the possibility of arranging their work independently. If this is not done in the public sector, as it seems, based on our results, it is sensible to ask with what procedures the public sector aims to use to increase efficiency. If hierarchy and the bureaucracy with it are still strong, where are the efficient results expected to come from?

Experienced efficiency pressures are also related to the professionals' experience that they are not able to affect the way in which the work is organized. According to professional logic, the professionals are experts in their work and hold the best knowledge of how to organize their work. Furthermore, experts are said to work efficiently if they are allowed to organize the work themselves (Drucker, 1999). Not being able to organize the work according to one's preferences can be experienced as mistrust and can result in poor commitment and high turnover.

Based on the results, it can be concluded that the way in which financial pressures and efficiency requirements appear in the public sector clearly conflicts with the professional logic. However, in the current age of austerity, improving efficiency in the public sector is inevitable. In order to succeed in managerial changes, professionals' ability to work according to their professional logic should not be jeopardized. In the future, new management practices which bring less hierarchy and more autonomy for professionals to organize their work in public healthcare are welcomed.

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