Organizational Turnaround: Lessons From a Study of 'Failing' Health Care Providers in England

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There is a large literature on management turnaround in the corporate sector, most of which focuses on strategies for dealing with survival-threatening performance decline. However, in health care such literature is rare. With the public reporting of performance data such as the 'star ratings' system in the English NHS (a composite measure used to rank health care organisations), the question of how to address 'failing' health care organisations has come to the fore. Our objective was to study the markers for 'failure' and the approaches to management turnaround in health care organisations. In particular, the policy of 'franchising' in the English National Health Service (NHS), whereby the chief executive of a failing organisation is replaced, is examined.

The study has two elements: in the first phase, five case studies were conducted with hospitals perceived as 'failing', prior to the introduction of the star rating system, where the management had been replaced. In the second phase, four of these five cases were followed up and a further four case studies added that had scored the lowest (zero stars) in the performance assessment system and had their management team replaced. These four cases were subject to intervention by teams from the Modernisation Agency, an agency of the English Department of Health charged with acting as 'a catalyst for change' to reform the NHS. Data were collected to examine the markers and responses to failure, strategies for turnaround, and the impact of these strategies. Data include semi-structured interviews with 99 key stakeholders both internal and external to the hospitals, analysis of local media coverage, and changes in 'star ratings' assessment.

Common markers for failure included lack of clear management structures and processes; and a lack of engagement of clinicians in the management process. Initial external responses to failure were slow and limited to changes to the top management team. Subsequent responses included intervention by Modernisation Agency teams. Turnaround strategies included internal reorganisations to engage clinicians in management and introduce new management systems; attempts to change organisational culture; and a focus on relations with external stakeholders. Changes in the 'star ratings' assessment indicated that, in some cases, performance appeared to decline before it improved.

This study provides important new data on the markers for organisational failure in health care, on the impact of various responses, and the time taken to turn round failing health care organisations. Reasons for organisational 'failure' in health care and how to respond have not been well understood. Responses require careful diagnosis and prescription, but it seems important not to delay too long before taking action. Changing the chief executive appears to be a necessary but not sufficient response. Organisational turnaround in complex health care organisations takes time, possibly longer than in non-professionally dominated organisations, and its sustainability in the long-term is questionable.