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# UNIVERSITY OF SOUTHAMPTON

FACULTY OF LAW, ARTS & SOCIAL SCIENCES

School of Management

# Conceptualising Foundation Trust Reform in the NHS: An Empirical Analysis of Three NHS Organisations

By

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Thesis for the Degree of Doctor of Philosophy

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UNIVERSITY OF SOUTHAMPTON

# ABSTRACT

FACULTY OF SOCIAL SCIENCES

SCHOOL OF MANAGEMENT

<u>Doctor of Philosophy</u>

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By Adeleke Yinka-Adebisi

Beginning from the 1990s when the 'New Public Management' was introduced in the public sector, many countries around the world embraced this new way of working, especially in the developed countries. This adoption kept public sector services in economies like the United Kingdom (UK) under a tremendous pressure to become more efficient in the delivery of effective services. This phenomenon was named - 'Value for Money' initiative within the UK public sector.

In order to achieve these goals, the public sector has been inundated with several reform regimes, thereby adopting management techniques and tools, which are arguably similar to that being used in the private sector. The National Health Service (NHS) was not left out of this wave. The NHS introduced the market system in the 1990s, in which the providers and purchasers of health services were segregated, giving them the opportunity to negotiate price of services with each other.

The wave of reforms have since not stopped; by 2004, Foundation Trust (FT) status was introduced in the NHS, where the government chose to devolve accountability for health service to the local communities. The purpose of the devolution is to allow NHS hospitals to become locally accountable to their communities. The conferment of a new status on the NHS organisations is expected to set them loose from the government's apron, granting them financial freedom, where they can keep surpluses generated for reinvestment in services,

make investment decisions without deferring to the government and have a better control of the organisation.

This research has six major objectives. First, it seeks to understand the entirety of Foundation Trust Status in the NHS, second, to outline the role of accounting as the controlling tool in the organisational setting, third, is to identify the string of local accountability within and outside the FT organisation, fourth, is to establish the effect of the structural change witnessed within organisation types, fifth, is to locate the FT change within the general form of the New Public Management (NPM), thereby evidencing the study as an empirical learning and finally evaluating the effectiveness of the FT reform within the organisations being studied.

The study adopted an interpretive perspective, gathering data through interviews, documentary analysis and researcher's observation. The study later adopted the thematic synthesis strategy in analysing the data. It is a multi-case study research, which involved three (3) NHS Trusts in the UK. The first organisation is a non-FT hospital, undergoing the process of becoming a Foundation Trust, the second and third operates as fully licensed Foundation Trust hospitals.

This paper reflected on institutional theory as a tool, to understand the FT status in the NHS. In particular, we identified the forces that exerted pressure on the NHS organisations, the place of accounting as a tool in the process, how these organisations responded to innovation uptake. Data analysis unveiled organisation's struggle for compliance through legitimacy for power and resource, which became the central phenomenon of this study. The NHS organisations were found to be resolute in their choice to implement the FT reform, in spite of the inherent complexity of the process on top of their day to day operational challenges.

The struggle for compliance resulted in a mixed result, initiating an active pursuit of efficiency especially in the early adopter and then a negative influence on the late adopter organisation as actors engaged in a number of creative activities as they seek legitimacy. The result from this thematic study proposed that organisations adopt and implement accounting changes for the purpose of achieving legitimacy and promoting efficiency, as well as advancing self-interests. The effect of each choice was found relative to organisational motive for the adoption of the change, either for efficiency or legitimacy.

This paper contributes to the theoretical understanding and relevance of institutional theory, particularly the New Institutional Sociology (NIS) in the NHS. Thus, providing a framework

for legitimacy, this further illuminates possible explanations for the interrelationships between organisation's adoption and the implementation of an accounting change in organisations, with the attendance of loose coupling. In addition, it contributes to the practical understanding of the FT change amongst practitioners in the NHS, an understanding, which helps grasp the importance of the change within the context of today's society, as driven by the current and developing economic terrain.

# **<u>Dedication</u>**

I dedicate this work to my beloved family.

My wife, Kenny, and my daughters, Ifeoluwa and 'Damilola.

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# Declaration of Authorship

I, Adeleke Yinka-Adebisi, declare that the thesis entitled Conceptualising Foundation Trust Reform in the NHS: An Empirical Analysis of Three NHS Organisations and the work presented in the thesis are both my own, and have been generated by me as the result of my own original research.  I confirm that:

- this work was done wholly or mainly while in candidature for a research degree at this University;
- where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
- where I have consulted the published work of others, this is always clearly attributed;
- where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
- I have acknowledged all main sources of help;
- where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
- None of this work has been published before submission.

**Signed:** ………………………………………………………………………..

**Date:** ………………………………………………………………………….

# Acknowledgements

On reflection, this study would been absolutely impossible without the help of God, who remains my source of strength and help. I got much inspiration through God, in fulfilling my role as a researcher and He planted people in my way to play various roles that ensured the success of this research.

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1 Research workshop held on Friday 18th February 2011 by the Management Control Association at Imperial College London.

# **<u>Abbreviations</u>**

| | |
|---|---|
| AC | The Audit Commission |
| B2B | Board to Board |
| BMA | British Medical Association |
| CCG | Clinical Commissioning Group |
| CEO | Chief Executive Officer |
| CQC | Clinical Quality Commission |
| DOHD | Department of Health |
| FT | Foundation Trust |
| FRR | Financial Risk Rating |
| GP | General Practice |
| HCC | Health Care Commission |
| HDD | Historical Due Diligence |
| HPA | Health Protection Agency |
| LTFM | Long Term Financial Model |
| NHS | National Health Service |
| NICE | National Institute for Clinical Excellence |
| NIE | New Institutional Economics |
| NIS | New Institutional Sociology |
| NPFM | New Public Financial Management |
| NPM | New Public Management |
| OIE | Old Institutional Economics |
| OECD | Organisation for Economic Co-operation and Development |

| | |
|---|---|
| OBC | Objective Business Case |
| PBR | Payment By Result |
| PCT | Primary Care Trusts |
| PFI | Public Finance Initiative |
| SLM | Service Line Management |
| SLR | Service Line Reporting |
| SHA | Strategic Health Authority |
| TDA | Trust Development Authority |
| TGWU | Transport and General Workers' Union |
| UK | United Kingdom |

# Chapter One

## Introduction

### 1.0    Background to the Research

There was a huge outcry and convincing justifications for the revamp of the National Health Service (NHS) in England following the completion of the Comprehensive Spending Review in 2000. The review indicated the need for a bigger investment in the NHS, which had an annual growth of about 3% per annum in real terms prior to the review. The investment meant that the next seven years witnessed a growth of about 7% per annum in real terms under the Labour government; the period also witnessed the implementation of several reforms, as was detailed in the 'NHS Plan', (Department of Health, 2000), a document released in 2000. The introduction of the NHS Foundation Trust (FT) reform was one of the reform programmes highlighted in the 'NHS Plan'. The essence of the reform was to empower the trusts in a number of ways. First is to allow them a greater measure of financial freedom, second, is to devolve control of the organisation to the trust and lastly is to create local accountability, whereby the trust becomes accountable to their local communities (Monitor, 2009; DoH, 2004).

The Foundation Trust reform is notably a colossal change in the NHS, because of its influence in moving the NHS Accountability obligation away from the government to the local communities. This reform presents a gateway to all NHS provider organisations in England to undergo a mandatory assessment process, which results in a change of status for successful organisations. Successful organisations will undergo a name change, with the words 'Foundation Trust' added to their name. The change in name attract benefits, such as financial freedom, organisational control and change in accountability function, thereby creating a new reporting line for the organisation.

Prior to achieving the name change, the FT assessment framework must examine the financial and governance risk configuration of the NHS organisation, through the use of strategic management accounting techniques and accounting ratios to determine the organisation's stamina and the quality of its management in the long term. Only successful organisations are awarded the FT status.

The Foundation Trusts are a new type of NHS trust in England, created to devolve decision-making from central government's control to the trusts and their local communities, so that

the FTs are more responsive to the needs and wishes of their local people. The introduction of NHS FT represents a profound change in the history of the NHS and the way in which hospital services are managed and provided (DoH, 2006). It follows, therefore, that the role of accounting in this setting and the accountability shift connotes a critical feature in the new organisational form.

This research focussed on the implementation of FT reform in the NHS from the stand point of institutional theory, which suggests that organisations are influenced by, and can influence, the society in which they operate (Meyer and Rowan, 1977; Meyer and Scott, 1992; DiMaggio and Powell, 1983, 1991). The central object was to observe this influencing interplay between the FT reform and the organisations involved in the change process.

On a greater scale, it has been noted, especially in contemporary societies that many public sector entities are currently undergoing significant reforms, not to achieve greater economic efficiency, but for the purpose of legitimising themselves to different forms of institutional pressure or influence (Lapsley, 1999; Hoque et al., 2004). If this milieu prevails, it follows, therefore, that the series of reforms adopted in public sector organisations are not entirely driven by economic reasons; rather they are forms of 'window dressing' (Lapsley, 1999), which in itself is an engagement in activities leading to no concrete benefit or change (Meyer and Rowan, 1977). Moreover recent reviews of New Public Management (NPM) related programmes have concluded that the introduction of performance systems, managerial innovations and process reorganisations have failed to meet the expected performance improvements (Lapsley, 2009).

The choice of this area of research was based on the high profile interest generated by the Foundation Trust reform in the NHS. The government's rhetoric at the introduction of the reform highlighted that Foundation Trusts (often referred to as "Foundation Hospitals") are at the cutting edge of the government's commitment to the decentralization of public services and the creation of a patient-led NHS (DoH, 2006).

The general advice when it comes to organisational reform and its implementation is that of caution, because the overall outcome of the change may result in an increase in cost without achieving the expected goal for which it was embarked upon in the first place (Guthrie et al., 1999, Olson et al., 2001; Tomkin, 1987). It is also imperative that changes or reforms are implemented within the most appropriate climate in an organisation's life (Tomkins, 1987),

hence, the justification for this study, which evaluates and create a better understanding of the FT change.

The introduction of FT reform in 2003/4 financial year coincided with a period when the global NHS was in the middle of an all time financial crisis, which was vastly becoming endemic, as several trusts were operating at a deficit financially. The Department of Health, in its report affirmed that-

> *'There is a good evidence that difficulties in internal financial management and control have contributed to an increasing number of trusts with sizeable deficits, and some evidence that these difficulties have been aggravated by rapid change and organisational turbulence in the NHS. ..'(DoH, 2007:86)*

The government, as an honest broker to NHS organisations was expected to act in the most appropriate way to ensure that resources were moved around within the system to support the recovery of individual trusts in financial deficit, and several reform programmes were implemented within the NHS to bail a number of ailing trusts out of their financial difficulty.

In recent times, the relationship between the increase in government spending and size of the deficit declared amongst NHS organisations, and their increasing complexity is becoming a major challenge to the government in the United Kingdom. Several governments in the United Kingdom, dating back to the 1980s have introduced a number of reforms to improve the financial and governance structure of the NHS. The most recent of these reforms is the introduction of the FT status, which like every other reform promises to deliver an improved NHS service, while devolving freedom and control to individual NHS organisations.

The Foundation Trust concept was introduced as a not-for-profit business, enjoying the benefit of self-control rather than Central government's control. However FTs remain accountable to their local communities and a new regulator called Monitor. This means that while FTs form a part of the NHS, the Secretary of State has no control over them. This role passed on to Monitor. Monitor was established in January 2004 as the Independent Regulator of NHS FTs, in accordance with the Health and Social Care (Community Health and Standards) Act 2003. The provisions of this Act, which relate to Monitor and NHS FTs have now been consolidated in the National Health Service Act 2006.

As part of its regulatory mandate, Monitor has statutory powers to authorize NHS trusts, to become FTs, oversee compliance of FTs with their terms of authorization (akin to a 'licence' to operate) and to intervene in the event of significant non-compliance with the terms of

authorization or any other statutory obligations. The first FT was authorized in 2004; the government initially offered the opportunity to all NHS trusts to apply for Foundation status by 2008, and this deadline has now been extended to March 2014.

FTs are expected to maintain the ethos of the NHS by providing free care in the United Kingdom, based on need and not ability to pay. An organisation's attainment of a Foundation status relieved the central government of all control and power over the trust. In addition to the concession of the regulatory power to Monitor, the accountability power passes to a Board of Governors comprising people elected from and by the membership base. They have members drawn from patients, the public and staff and on the grounds of attaining a Foundation status; the hospitals were assured of the following freedoms -

- Freedom from Whitehall control and performance management by Strategic Health Authorities (As would be explained in Chapter five – 5.1.3)

- Freedom to access capital on the basis of affordability rather than the current system of centrally controlled allocations

- Freedom to invest surpluses in developing new services for its local community

- Freedom of local flexibility to tailor new governance arrangements to the individual circumstances of their community

Over the course of FT implementation in the UK, a number of structural changes have been made, including the creation of a new body called the Care and Quality Commission (CQC) to take charge of the clinical regulation of FTs. The CQC was created after the dissolution and absorption of the role of the Health Care Commission (HCC), which was interalia responsible for the performance management of NHS organisations. The Care and Quality Commission (CQC) took over the role and extended beyond the function of the HCC as the CQC is also responsible for performance management and quality assurance of the remnant NHS trusts, who are still under the star rating regime.

The other crucial body that remains relevant to the FT agenda is the Audit Commission (AC). The Audit Commission is an independent government watchdog responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. The Audit Commission formed part of the control regime inherited by FT hospitals, the AC remains responsible for inspection, validation and

certification of financial reporting presented by FTs to the public. FTs, however, have a right to appoint their own auditors if they so desire.

The FT reform is characterised with an almost irreversible position for the government, who has relinquished its control of the NHS trust – The acute, community and mental health hospitals to the local population under the regulatory control of Monitor, hence, the importance of this study aimed at understanding 'how the adoption of FT status has influenced the organisation's strategic direction'. Therefore the general research question, to which this study aims to provide an answer, is summed up as – How did the implementation of the FT status (Accounting and Structural Changes) influenced or shaped the NHS organisation?

From the above general question, the following four questions were formulated -

1. What is FT status all about?
2. Why would any organisation seek the adoption of FT status?
3. How has the pressure to adopt FT status influenced the organisations?
4. How did NHS organisations respond to the pressure and the benefit it offers?

## 1.1    Research Objective

The aim of this research is to understand the FT status and how the change in status influenced the NHS organisations as they go through the adoption of the FT reform, with a view to assessing the aggregate effect of the new status on organisational behaviour. Prima facie this is a wide area of research, which must be reduced to a manageable size. Therefore, the research focussed on the adoption and the implementation of FT status within the NHS; this includes specific issues, which control and influence the functioning of FTs.

The FT phenomenon is a new framework in the NHS. Therefore, there are only a handful of empirical studies on the subject. This highlights the importance of this research, particularly with regard to the use of accounting as a tool to control organisations, and to reorganize their system of Governance, to foster local accountability to their communities. This structure is similar to the type found in the private sector (Hood, 1995; Larbi, 1999; Ballantine et.al 2008). The adoption of FT streamlines the financial management and governance structure in organisations, by realigning them to the Monitor template of financial management, which is rooted in risk analysis and a risk rating system (Monitor, 2004), this is intrinsically linked to financial ratios in accounting.

The various adoption requirements specified in the FT framework were designed to influence the organisation's core finance and governance structure (Monitor, 2004). Hence, the majority of the reform elements were mainly visible in the intra-organisational functions. This research relied on the experiences of staff within the organisations, in addition to various literature and documents, to identify and analyse the effects of FT adoption.

The overall research objective was to create a better understanding of the FT reform, by following through the process of implementation and identifying the relevance of each phase of the change process. This was achieved through a first-hand interaction with the change process itself by researcher's observation and an intensive discussion with the actors undergoing the change in the organisations. This study was undertaken with a view to illuminate the FT reform, while providing an institutional explanation of the consequence of FT status on the NHS.

It must also be noted, that the implementation of the FT reform in itself is not a full adoption of the change, as full adoption is only achieved when the change is internalised (Kustova and Roth, 2002). The process of internalisation is reached only when the social actors fully accept the change. It takes time to reach that stage, thus this research relied on studying the behavioural pattern of the FT organisations following their decision to adopt FT, thereby changing the strategic direction of the organisation over a period of time.

A fundamental part of the rationale given by the politicians for the FT system was to stimulate local accountability within the NHS. Accountability in the public sector was arguably linked to the introduction of New Public Management (NPM) (Mulgan, 2003; Dubnick, 2005). NPM reforms have been revealed over the years as a complex phenomenon, which was evidenced by various empirical studies showing mixed results (McGill, 2001; Van Nispen and Posseth, 2009). For this reason, this study built a solid foundation for itself from various literatures rooted in NPM, in the absence of much in terms of related studies on the FT phenomenon itself.

In pursuing the research objective, a thorough assessment of how the measures introduced by the FT regime created a new system was undertaken and the effects of this system (which albeit was as a result of the FT status) on the entire organisation investigated in each of the case studies. Notably, the FT reform cast an almost irreversible position for the government, who has relinquished its control of the NHS trusts namely the Acute, Community, Mental

Health hospitals and Ambulance trusts to Monitor for regulation and the local communities as repositories of the accountability power.

## 1.2    Relevance of the Research

The uptake of Foundation Trust status in England has steadily been on the increase since the first set of FT organisations were licensed in March 2004. The government's rhetoric about FT introduction revolves around the facilitation of NHS trusts' autonomy in England and to establish their accountability to the community they serve. It is fair to state that the FT phenomenon failed to catch much attention of researchers, especially those focussing on the financial and organisational imprint of FT on the NHS. This is not a surprise given that FT status is a relatively new concept in the sector. The few references on the subject of FT were usually restricted to professional literature in practitioners' journal and policy documents. The paucity of theoretical and empirical work within the global NHS is tangible enough (Chua & Preston, 1994) let alone a new concept such as the FT status. This study, therefore, is intended to initiate a discussion around the FT phenomenon, while advancing and widening the subject area within the accounting research field.

This study is particularly relevant to the entire NHS network and indeed the academic circle, to create an understanding of the FT licensure process, following the scandal at the Mid Staffordshire NHS Foundation Trust, a licensed FT organisation, which attracted a wide publicity in the media, as well as among the local population. This incident raised a grave concerns about the competence of personnel and the clinical safety of this hospital. The unprecedented level of mortality and the appalling standard of care provided at the Mid Staffordshire FT, resulted in an urgent enquiry into the hospital's affairs by the Healthcare Commission (HCC). The outcome of the HCC led investigation published a highly critical report in March 2009. Two other reviews were commissioned by the Department of Health after the HCC report. The reports from the concluding investigation into the Mid Staffordshire case known as the 'Francis report', gave rise to a further widespread public concern and a loss of confidence in the trust, its services and management and by implication, the entire FT system.

This study opens up the FT phenomenon by elaborating on the process involved in the implementation of the FT reform. It also offered a theoretical base by using the institutional theory, as a tool to explain the reform, in the light of how organisations react to the adoption of this innovation. A number of studies have used this theory to explain the prevailing

cultures in organisations in several contexts, such as in performance management (Modell, 2001; Brignal and Modell, 2000), studying the effect of a major initiative and legislation in the public sector – (Hoque, 2005), exploring stability and change relationships in a management accounting change – (Siti-Nabiha and Scarpen, 2005), changes in accounting information in an electricity company – (Tsamenyi et al., 2006), emerging accounting practices from interactions of social actors – (Goddard, 2004), and downsizing strategies in a Norweigian firm (Dahl and Nesheim, 1998).

The investigation of events within the FT context adds to the body of knowledge within the public sector accounting research in particular, by responding to the various calls for further studies into unexplored social settings such as the healthcare sector (Broadbent, 1999) and the need to contribute concrete examples of public sector reform mechanisms and accountability changes (Young and Oakes, 2009). The results from this study contributed in a number of ways to institutional theory, accounting research and also to prevailing organisational practice within the healthcare sector.

The first contribution is notably the trimming of the existing gap in the specific societal need for applied accounting research in the field of health care, which has recently been an issue in academe. This relates to the possible crisis in the relevance of accounting research. In response, this study is basis to justify the relevance of accounting and also calls for the development of more applied research projects in healthcare, to engage beyond the technical aspects of management accounting systems, with emphasis on the social and organisational implications (Hopwood, 2008, 2009; Baldvinsdottir et al., 2010; van Helden and Northcott, 2010). This study is differentiated from previous researches in the FT context by improving on the basis of measurement adopted in some of the earlier studies such as (Marini et al., 2007), which used performance indices, such as the trusts' Retained Surplus and the Reference Cost Index (RCI) to assess the effectiveness of FTs in the NHS. While the use of these measures contributed to accounting research on a technical level, the previous study failed to espouse accounting beyond the technical economic rationality stance. This thesis however argues that accounting is more than a technical and rationalist tool, but a formal basis for economic action and for making useful business decisions. The essence is to steer discussions in accounting research beyond the technical into the social and institutional context.

Secondly, there was a clear gap in the literature on the relationship between accounting rules, its complexity and the institutionalisation of the rules, this study established a connection

between the FT innovation uptake to its point of institutionalisation, by identifying the intervening events between the two periods, through which an attempt was made to theorise the phenomenon of organisational struggle in a change process. It explained why and how organisations struggle in the adoption of new rule. It elaborated why the implementation of a complex rule provoked instrumental aspect (Lukka, 2007) of legitimacy in some organisations, while others exhibited the ceremonial values (Covaleski and Dirsmith, 1983) or both instrumental and ceremonial aspects. The presentation of these tendencies in this multi case study, models an empirical example in accounting, which other studies may build on.

Thirdly, unlike the other relevant studies found on the subject of FT reform, this study offers a better and broader scope in terms of methodology as a qualitative study. It also adopted a more robust and holistic process, by observing a life case of FT adoption. Most notable of the previous studies include (Marini et al., 2008), which used a quantitative approach, to access the effect of the new financial freedom enjoyed by the newly created FT organisations. The study elaborated on the impact of FT status on organisation's financial management when compared to its non FTs counterpart. Secondly, there was another study, which argued that FT organisations are reluctant to exercise their authorisation autonomy and their lack of understanding on the effectiveness of the FT governance system (Exworthy et al., 2011). Lastly, there was the examination of the effect of FT policy on hospital performance, using measures such as financial management, quality of care and staff satisfaction as a yardstick to measure the effectiveness of the reform (Verzulli et al., 2011).

The scope of this study was set to offer a better understanding of the FT reform, by focussing on the social context of FT organisations, through the use of a qualitative approach, which is a richer mode of studying actors within their organisational context. By using this approach, it expounded on the concept of power and legitimacy in an organisational setting, drawing out valuable strategies adopted in the process of implementing a change in an organisation.

Several other contributions were made to organisational practice in the healthcare sector, firstly, to steer the minds of the regulators and managers within the NHS into the sphere of understanding the behavioural aspect of the organisations, which is a key determinant of the outcome of any reform, as they roll out reforms and implement the programmes within the sector. Secondly, the study contributed to practice within the organisations through the development of concepts, describing and analysing the emerging Foundation Trust environment as a separate entity from the global accountability focus within the NHS. Lastly,

this study also identified that the early adopter of the FT status had an efficiency motive, which was dissimilar to the late adopter, it also highlighted that the uptake of an innovation in any organisation is intrinsically linked to the organisation's strategic motive.

## 1.3    The Structure of the Thesis

Chapter One

This chapter sets out the general framework of the study. This comprised of a brief introduction into the basis of the FT discussion. It unveiled the genesis of the FT reform as an aspiration of the government to foster local accountability, promote organisational freedom and devolve control to the local organisation. It also gave a general brief of institutional theory and how this concept applies to the study of FT reform. In addition, the chapter gave an overview of the research context, relevance of the study, a brief explanation of the study. The contributions made by this study were also briefly highlighted at a high level. Finally, the chapter explains the structure of the thesis.

Chapter Two

Chapter Two presents a review of the accounting and governance literatures in order to get a good grounding of accounting and accountability concepts, thereby bringing together a number of concepts and reforms introduced in the public sector, dating back to the 1990s. The root reform that influenced the FT agenda was traced to New Public Management (NPM), from which accounting, management and accountability changes evolved. The general overview of NPM in this chapter involved a rigorous review, in order to put terms and meanings in perspective and to fuse their relevance to the study. The rigorous review of the literature created a better understanding of the use of complex terms that were of varied use in accounting (Lee and Johnson, 1973). This chapter reviewed the concepts of NPM and New Public Financial Management (NPFM), with emphasis on their relevance to National Health Service reforms (Hood, 1995; Olson et al., 1998)

Chapter Three

Chapter three discussed the study's theoretical framework. It gave a deeper synopsis of institutional theory. The major distinguishing contribution of institutional theory is often seen in the identification of causal mechanisms in the run up to an organisational change (Dimmagio, 1988), thereby identifying the roles played by actors in the common interest of all parties. The chapter elaborated on the understanding that organisations are embedded in

both their own institutional environment, which usually consists of the structure, systems and practices established in the past (Meyer and Rowan, 1977), and in their external institutional environment, a context shared by several organisations (Granovetter, 1985). Within the model of the research question, the chapter provided the justification for using this theory as a tool for a better understanding of the FT implementation. It also highlights the various relationships between the theory and the NHS organisations in question, while reviewing other empirical studies that have used the same theory. Further elaboration of the theory was made in chapter eight of this research, where the findings were allocated places within the extant literature.

Chapter Four

This chapter explained the research methodology and research methods used in this study. It discussed the underlying research design with emphasis on the interpretive paradigm (Chua, 1986), which gave a good ground for the understanding of the cultural, political, social, and economic context of the FT implementation. The methodology used for this study was discussed and bench-marked against similar studies that adopted the same methodology in this chapter. This provided a better and more effective way of accessing knowledge, given the nature of the phenomenon. Chapter four indeed sets out the basis for choosing the interpretive approach and the use of a template analysis/thematic synthesis strategy as data analysis tool for the FT study. It also explains the methods of data collection, such as documentary analysis, interviews and researcher's observation. Further, it describes the data types and how the data was analysed using the NVIVO software. Finally, the chapter addresses the validity and reliability strategies used in this study (Gill and Johnson, 2006).

Chapter Five

Chapter five described the position of the NHS within the government's framework in the United Kingdom (UK). Firstly, it provided an overview of the UK and its government system, followed by the linkage of the Secretary of State for Health to the various departments that forms part of the NHS, namely the Department of Health (DoH) and the Strategic Health Authority (SHA), now known as the Trust Developmental Authority (TDA). The chapter describes their role in the governance and control of NHS organisations, and the delegated power they possess through the Secretary of State vis-a-vis their accountability to Parliament. The chapter also elaborated on the governance structure within the secondary care setting of the NHS, and eventually linked that to the main subject of this research - the

Foundation Trusts. A brief overview of the formation of the Foundation Hospitals' structure and their processes was also highlighted in this chapter.

Chapters Six

Chapter Six described the initial free coding process using template analysis (Crabtree and Miller, 1999). This involved the derivation of several codes from the analysis of interview transcripts, documents and observational notes. Free codes were obtained as a result of breaking down, examining, comparing, conceptualizing, and categorizing the data. This chapter finally described the seventeen themes, which evolved from the data analysis. These main categories reflected the thinking of the individuals working within the NHS organisations, a product of grouping the 376 open codes obtained through the first phase of the data analysis. Some of the main categories emerged directly from the open coding; some were further contextualised from the observations, while others were products of further conceptualization of the open categories. The chapter also described the emerging connections and relationships between the categories. The output of data analysis from this section presented the first order construct of the research.

Chapters Seven

Chapter Seven described the final phase of the coding process, from which the second order construct was derived, thereby producing the focal code, followed by the other codes, which were extracted from the thematic analysis. The other core codes were related directly or indirectly to the focal code. The final analytical process included the derivation of the themes and sub themes, which originated from the thematic analysis. This chapter described the final abstraction of the first construct, which consists of seventeen codes, processed into nine core codes. This reflected the participants' perceptions of FT adoption and the nature of the various interactions that pervaded the process, to present a full depiction of the interrelationships between the organisations and their regulators at various levels. This chapter further identified the use of accounting in the FT reform as a major tool that directed the organisations into complying with the regulator's mandate. It implies that this occurs as a result of the coercive pressure associated with the way organisations perceived their role and place within the community they serve in the bigger accountability and governance agenda, and their self-interest in the benefits offered under the FT regime.

Chapter Seven also presented the central phenomenon of "Struggling for Compliance" as the focal code of the thematic synthesis. It described the social process by which organisational

actors pursued the requirement to comply with the regulator's mandate for the adoption of FT status, despite the difficulties encountered. The chapter analysed the nature of regulator's action, the reaction of the organisations and the eventual outcome of the influence.

Chapter Eight

Chapter Eight bears a further elaboration of the findings from the thematic synthesis under the lens of institutional theory, especially as addressed in New Institutional Sociology (NIS). This chapter interpreted the results from the thematic synthesis within the NIS concept and based on the findings from other NIS studies. The aim was to test the relevance of NIS to the study of Struggle for Compliance within the NHS. The study showed that the organisational actors within the NHS were propelled to achieve FT status by adopting and implementing a prescribed accounting and regulatory framework, notwithstanding the difficulties that accompanies it. This explains the legitimacy-efficiency intertwine (Modell, 2001). The NIS addresses the relevant key issues, which were explained in this chapter.

It was also recognised in this chapter that previous empirical budgeting studies have employed NIS as a base for their arguments (Collier, 2001; Covaleski and Dirsmith, 1988; Tsamenyi et al., 2006; Seal, 2003). This chapter further unveiled the proposition that early adoption of FT reform reflected an organisational motive that was primarily rooted in efficiency and legitimacy with secondary signs of self-interest. In contrast, the late adopter showed an adoption aim, which lacked an efficiency motive, but rooted in the actors' self-interest.

Chapter Nine

Chapter Nine presents the main contributions of this research in line with existing literature, presenting the conclusions of the study and highlighting areas of interest for future research.

# Chapter Two
# Accountability and Financial Management

## 2.0    Introduction

This chapter is a review of accountability and governance in the public sector. The review covers the definition of accountability and governance and its sources. The purpose of this review was to generate a broader base for the understanding of accountability and governance.  A major area that could not be overlooked is the New Public Management (NPM) and New Public Financial Management (NPFM) discourse, which are both prominent and significant in public sector reform. This chapter also discusses the implications of NPM for accounting, accountability and governance in the public sector as a whole. It goes on to discuss the relevance of NPM to FT organisations as public sector entities. The rhetoric behind the introduction of FT is actually based on creating better accountability within the NHS. Therefore, it became necessary to understand the concept of accountability and governance in the public sector prior to the introduction of FT status. This awareness will create better understanding, shape the comprehension of the future effect and outlook of FT organisations.

## 2.1    Concept of Accountability

Accountability has a traceable past into the ancient civilisation of Mesopotamia and ancient Egypt (Carmona and Ezzamel, 2007). This historic era contributed to the history of accounting, which spans over many topical subjects, such as the work on state projects, manufacturing and workshops, taxation, temples, private estates, the household, semi-barter exchange, and the cult of the dead. In the more recent decade, accounting has been defined as "the provision of information about the financial position, performance and adaptability of an enterprise, which is useful to a wide range of potential users, in making economic decisions (Ezzamel et al., 2004:147). In operational terms, this includes all types of financial information and budgets, as well as the wider, non-financial, performance measures. It is fair to emphasise that accounting shares a common platform with accountability principles.

Accountability is observable within varying socio-political and economic contexts, ranging from the predominantly state-controlled economy of ancient Egypt to the largely private trade economy of Mesopotamia. The origin of 'accountability' has been linked with the emergence of royal legal traditions in England. This predates the rise of the modern bureaucratic state (Dubnick, 2005:10). The term 'accountability' was arguably infrequently used outside the

sphere of financial accounting (Mulgan, 2003). The first spread of its wider use came with the New Public Management (NPM) reform, which started in the 1980s. The responsibility side of the accountability concept also became popular, emphasising that accountability is about being responsible (Mulgan, 2003:9). The concept later gained ground as an independent concept, to the extent of over shadowing the concept of responsibility in both importance and scope (Mulgan, 2000:558). Taking responsibility for an action is generally perceived as an integral part of accountability, rather than vice-versa (Dubnick, 2005: 6).

With a closer look at the term 'Accountability', researchers soon discovered that it could be construed to mean different things to different people (Mulgan, 2000:555; Pollitt, 2003:89). In essence accountability was a term that connotes several meanings; this was described as its 'chameleon-like' nature, (i.e. taking up meanings from the context in which it is operating at a particular time and from the perspective of the players in the accountability relationship at the time). Its nature influenced the way the term has been put to use, loosely, in most cases, to refer to a way of good governance, efficiency, responsibility, transparency and integrity (Mulgan, 2000:555).

In an emphatic manner, Mulgan draws attention to what was denoted as the "core sense" accountability, derived from previous research into the topic. In this light, accountability was defined as a 'process of being called to account by some Authority, for one's actions', or a process of 'giving an account' (Mulgan, 2000: 555; Dubnick, 2005: 6). This core definition of accountability was characterised by 'externality, social interaction and exchange and rights of authority' (Mulgan, 2000: 555). Externality referred to an external 'account-holder' to whom an account was given by an 'accountor' (Mulgan, 2000: 555; Mulgan, 2003: 10). In this sense, accountability also involved social interaction and exchange, in terms of rectification and sanctions (Mulgan, 2000: 555). The account-holder also has the right or authority over the accountor, thus implying rights to demand answers and impose sanctions.

In its basic traditional view, accountability incorporated "the giving and demanding of reasons for conduct" (Roberts and Scapen, 1985: 447). Accountability was first of all based on a formalized relationship that stipulates the rights, authorities and available sanctions of the accountee (Broadbent et al 1996: 269; Aucoin and Heintzman, 2000: 54). This seemingly implied that accountability was concerned with an expectation of giving and demanding reasons for conduct, so that any person in a position of authority was expected to explain and take responsibility for their actions or inactions (Parker and Gould, 1999:116). Accountability, thus, requires an actor with a duty to render an account and a second actor

with the authorization to judge and, sometimes, impose sanctions where necessary. This proves that accountability refers to answerability to someone for appropriate conduct and expected performance. (Bovens, 2008:4)

An example of one of the most successful operationalisation of the term accountability was its description as a process of engaging with, and being responsive to, stakeholders, taking into consideration their needs and views in decision making and providing explanation as to why these needs or views were or were not taken on board (Blagescu et al., 2005:11). In this definition, accountability was viewed less as a mechanism of control, but more of a process of learning. This was sharply at variance with other authors that viewed accountability as a tool for responsiveness and control, which is more common within the public sector (Koppell 2005; Mulgan, 2000). The Public Sector is characterised by the establishment of institutional mechanisms of accountability, such as constitution, legislation and regulations that are opened to public control (Mulgan, 2000). It is imminent that accountability study does not simply rest on the behaviour of the actor, but also in the way in which the institutional arrangement reflects it, and this is very crucial in determining whether actors can be held accountable for their actions or not.

Accountability has also been construed as a social "mechanism", which displays an institutional relation or arrangement in which an actor could be held to account by a forum (Day and Klein, 1987; Mulgan 2003; Bovens, 2007). This also reflects the act of controlling individual's actions. Control by its nature is not totally implicated in the features of accountability, as the literature argues that the notion of control differs slightly from accountability, since the process of calling someone to account is retrospective by nature, whereas control could be proactive (Harlow, 2002:10). Accountability and control refers to the same phenomenon depicting authority over those who are being governed.

In order to portray accountability as a social relation, there must be the participation of actors, and the existence of a practice, where there is an 'accountor' who provides information about his conduct to a forum known as the 'accountee'. There should also be explanation and justification of conduct, and not propaganda, or the provision of information or instructions to the general public. The explanation should be directed at a specific accountee and not be given at random. The accountor must be dutifully obliged to come forward, rather than possessing the liberty to irresponsibly present an indecent account. There must be the possibility for debate, defence and judgement by the accountee, and an optional imposition of

(informal) sanctions or rewards, rather than a monologue without engagement. (Bovens, 2005:5)

The relationship portrayed in accountability connotes being open to stakeholders, engaging them in an on-going dialogue and also creating a learning process in the interaction (Blagescu et al., 2005:11). Stewart (1984) argued that for such relationship to exist the accountee must be capable of holding the accountor to account, and that the type of accountability must be expressly specified. This was further extended by (Boven, 2007) where accountability was defined not only as a relationship between an actor and a forum, with the actor having an obligation to explain and present a reason for his action or inaction, but also giving the forum the power to ask questions and pass judgement, with the actor even liable to face consequences. This presupposes the possibility of sanction in the mechanism of accountability. This view was also agreed upon in (Mulgan, 2003:9).

Stewart (1984) led the discussion about types of accountability; this is referred to as the 'Stewart ladder' of accountability, which includes –

- Accountability for probity and legality - This variant was concerned with whether funds are used in an authorized manner; the objective being to avoid illegality.

- Process accountability, which was about ensuring that detailed procedures in relation to activities for which accounts were given are undertaken.

- Performance accountability, which measured the achievement of specific standard against the outcomes of the activities for which an account is rendered.

- Programme accountability, which measured the achievement of goals and objectives.

- Policy accountability, which judged the appropriateness of policies, goals and objectives.

Bovens (2005) discussed the importance of public accountability, where he noted five major reasons why accountability must be encouraged, firstly, was the impact on the institutional arrangement (that is, relationship) created through accountability in the public sector, it enabled every authorised public manager to act as agents, to account for the patch of responsibility delegated to them. Secondly, public accountability helped to enhance the integrity of governance, which was a good safeguard against corruption, abuse of power and any other inappropriate behaviour. Thirdly, it helped improve performance, as through accountability and reproduction of norms and routine against specific standards, managers

were able to improve on their performance against those standards. Fourthly, the previous three mentioned earlier helps to stimulate and maintain the legitimacy of government, and finally, this concept was specifically useful in a crisis periods, for instance in a failure or collapse of an organisation, the accountability process helps heal the wound and brings closure to the incident by answering the many troubling questions in people's mind.

### 2.1.1   New Public Management

The public sector organisation's identity is increasingly disappearing. The evidence of this was noticeable in the difficulty encountered, while differentiating between accounting practices in public and private sector entities. The Cabinet Office white paper stated that the:

> *"Distinctions between services delivered by the public and the private sector are breaking down in many areas, opening up the way to new ideas, partnerships and opportunities for devising and delivering what the public wants". (Cabinet Office, 1999:9)*

It was common to define public sector organisations as those entities that were heavily invested into by the government. This was to show that the public sector was that part of a nation's economic activity, which was traditionally owned by the government (Broadbent and Guthrie, 1992).

The evolving indifference between the public and private sector organisations was being achieved through the introduction of various reforms, re-engineering and restructuring ideas, which originated from the NPM and were implemented by governments globally, especially the developed countries. In the majority of the developing countries, economic crisis was identified as the most important drivers of ambitious reforms in the public sector since the early 1980s (World Bank, 1997:151).

The major reasons for the introduction of NPM in the UK was the economic recession and tax revolts, following the 1974 and 1979 oil crisis in the country. This was a major catalyst that pressurised the government into controlling public spending, which heralded the introduction of privatisation in the public sector. In areas where it was impossible to fully privatise an entity, other steps were taken to keep them as public entities (Tomkins, 1987). The main aim of NPM was to introduce or stimulate the performance incentives, within those sections of the public service that were not privatized, and also to introduce the discipline that exist in a market driven environment (Moore et al., 1994:13).

NPM techniques and practices mainly featured the private sector practices and standards that were increasingly being promoted as a global phenomenon (Larbi, 1999). The basis of NPM can be clustered in two main doctrines, according to Hood (1991, 1995). The first distinctive set focussed on the reduction or obliteration of the distinctions between the public and the private sectors. These features were seen in the privatization, marketisation and decentralisation of the organisations. NPM tenets dictated that the public sector organisations needed to adopt "proven" (Hood, 1995: 96) private sector-styles of management, where they would be more exposed to competition, better discipline in the use of resources (Economics), and a better focus on the efficiency and effectiveness of policy. The breaking down of public sector organisations into segmented divisions in accordance to the type of services they offer was also believed to be one of the elements of a change in focus. Other techniques introduced included the outsourcing of services, Private Finance Initiatives, local accountability or citizen participation, budgeting and accounting reforms, separation between service provision and service production, one stop shops, user charges, budget cuts and strategic planning (Pollitt, 2003; Gruening, 2001).

The second distinctive set of features was directed at accountability. This reform redefined the focus of accountability with a view to replacing the traditional process of accountability with a more result oriented practice. This type of accountability feature empowered the managers, by authorising them with discretionary power and control to achieve the political goals in any manner they deemed fit. Within this framework, accountability was managed using explicit, measurable standards, and greater emphasis was put on output controls. This technique included performance audit evaluation (Pollitt et al., 1999), the introduction of a managerial culture, internal and external control reforms, empowerment and the introduction of quality systems (Pollitt and Bouckaert, 2000; Pollitt, 2003; Gruening, 2001).

The design of NPM was channelled to garner a richer accounting information base, which, in turn, should increase accountability. There was a move to accrual accounting from cash accounting, as cash accounting merely focused on the budget and on legal compliance, rather than on managing resources in an effective and efficient manner (Pallot, 1998). NPM promoted the use of accrual accounting, which provided information on assets and liabilities, thus allowing the politicians to know the full costs of outputs and to monitor the return on investment and financial viability of projects. It must be noted that amongst countries implementing NPM, the adoption was not a homogenous whole, but rather a 'pick and choose from units of the reform elements, which sometimes overlapped. Currently the public sector

is increasingly utilising accounting methodologies and tools, which hitherto were known only to the private sector. This is through the transition from cash-based accounting principles to a greater reliance on accruals-based accounting principles in public sector (Klumpies, 2001). This has resulted in the expansion of the accounting boundary beyond the traditional financial aspects, to encompass broader governance and accountability issues, such as the setting of performance standards, and the subsequent measurement of activity. In the same vein, many of the techniques promoted had their roots in the private sector, where they were developed, broader debate over the relevance of these techniques in the public sector and the necessary adaptation required to make them suitable for the non-profit environment are continuously being discussed (Mellet and Ryan, 2008).

New Public Management (NPM) reform shifted the emphasis from traditional public administration to public management. Its key elements were the various forms of decentralizing management within the public services (e.g., the creation of autonomous agencies and the devolution of budgets and financial control), increasing use of markets and competition in the provision of public services (e.g., contracting out and other market-type mechanisms), and increasing emphasis on performance, outputs and customer orientation (Larbi, 1999).

NPM dominated the public sector, thereby creating a central role for accounting in general (Hood, 1995). Accounting occupied an integral position during the introduction of the NPM reform. It became very popular amongst organisations throughout the implementation of 'management' reform (another way of referring to NPM). In the study of the implication of reforms in the public sector, NPM was found to increase attention on 'Management' rather than the administration of services; the reform also tilted the emphasis of public sector organisations away from the traditional stewardship role of accounting to cost accounting (Jackson and Lapsley, 2003). The study also acknowledged that accounting played a crucial role in the diffusion of NPM-reform. Hood (1995) used the term "accountingization" to explain the superior emphasis on cost classification, which became more popular, when compared to the initial process of cost pooling or aggregation. The implementation of NPM in the public sector introduced a number of new standards and practices, which included 'Value for Money', 'Performance management', 'Budgeting' and 'Costing'.

Components of NPM were identified by a number of researchers, including Hood (1991, 1995), Dunleavy and Hood (1994), Ferlie et al. (1996), Flynn (1993) and Pollitt (1993). While Hood (1995:94) summarised the central focus of NPM to be shifting the emphasis

from process accountability towards a greater element of accountability in terms of results. Dunleavy and Hood (1994) summed it up as moving 'down group' (de-emphasising differences between the private and public sector) and moving 'down grid' (from process to outcome requirements and accountability).

Specifically for the UK, the broad change in ideology promoted through NPM meant that substantial areas of the public sector were privatised, traditional core public sector activities were corporatized, and novel funding sources through private-public partnerships were initiated (Howlett and Ryan, 2008). A survey by the Organisation for Economic Co-operation and Development concluded that new management techniques and practices involving market-type mechanisms associated with the private for-profit sector were being used to bring about changes in the management of public services in countries with widely varying governance, economic and institutional environments (OECD, 1993).

Dunleavy and Hood (1994) argued that NPM involved a shift in the two basic design co-ordinates of the public sector. Firstly, that the public sector became less distinctive from the private in terms of personnel, reward structures and methods of doing business. Secondly, that the extent of discretionary power over staff, contracts and money was limited by uniform and general rules of procedure.

### 2.1.2 Performance Reporting and New Public Financial Management

With the introduction of NPM, performance measurement gained ground in the UK public sector. These organisations engaged the use of quantitative approach by using financial metrics to measure results and performance, which was an important benchmark under NPM. The use of Accountability for results adopted financial metrics, thereby giving prominence to accounting techniques and tools, which were hitherto alien to the public sector until the implementation of NPM (Broadbent and Guthrie 1992). The adoption of these accounting techniques and tools in conjunction with NPM facilitated the recognition of 'New Public Financial Management' (NPFM) (Olson et al., 1998).

Guthrie et al. (1999) emphasised the importance of financial management reform and the unique role it played in the NPM reform without which NPM would not be worthwhile. A totally different view of the New Public Financial Management (NPFM) was taken by Olson et al. (1998), by acknowledging that NPFM reform was a separate unit of NPM. They concluded that NPFM reform involved five major changes:

- Changes in financial reporting systems;

- Introduction of market oriented management systems;

- Development of performance measurement techniques;

- Decentralization or devolution of budgets; and

- Changes in internal and external public sector audits.

Guthrie et al. (1999) further acknowledged that NPFM reforms lacked the endorsement of any specific set of financial techniques, when managing public sector entities, but rather a change, which is focused on improving financial awareness in decision-making. NPM reforms were believed to have transformed the traditional role of accounting in the public sector from its primary focus on probity, compliance, and control to that of efficient allocation of resources and accountability (Broadbent and Guthrie, 1992; Hoque and Moll, 2001).

NPM and NPFM moved the focus of performance measurement beyond the inputs into the coverage of the outputs as well (Hood, 1995; Olson et al., 2001), such as the traditional performance evaluation, which looked at variance analysis (this describes the reasons, why a actual expenditure varied from the planned budget). The introduction of NPM required that targets were set, with efficiency evaluated after comparing targets with the actual performance, with a focus on the output (Jansen 2008). This addressed the more explicit and measurable standards of performance (Hood 1995).

The shift of focus from input to output for service provision in the public sector met with a number of criticisms from several authors (Lapsley, 1999; Olson et al., 2001). Olson et al. (2001) argued against the complexity that was inherent in the input-output relationships, as many of the activities related to human beings, whose lives and social contexts were only partially formed, or were addressed by the intentions of actors within the public sector. Lapsley (1999) recognised the need to revisit the NPM model and its essentials, because of the challenges it posed to the understanding of what the input-output parameters were in complex services; the objective would be to emphasize quantity of output, which accentuates the primacy of accounting and points to irrationality, which may affect quality adversely.

Guthrie et al. (1999) concluded that the introduction of the NPM reform was pushed mainly by financial management techniques and, should not be considered to be a tool for the enhancement of democratic governance. In another study, where the adoption of NPFM in a

number of countries across the world was compared with an in-depth implementations study, Guthrie et al. (2005) in their introduction sounded a warning thus:

> *'Ironically, governments keep approving financial management reforms but politicians seemingly keep struggling to use the information produced by such reforms. Technologies of measurement and monitoring may change, yet we appear to still end up with few agreed measures and assessments of public sector performance. There are even suggestions that the proliferation of performance data, coupled with a growing cynicism about statistics and accounting, is such that it is becoming increasingly impossible to know what is going on in the public sector!' (P18)*

Research into the implementation of FT status in the NHS sounds a chord with the above warning, notably, several reforms (such as the FT status) are being rolled out by the government frequently, without any mechanism of tracking the effects of these reforms, so much so, that the effect of the initiatives cannot be directly linked or reconciled with the changes emerging in the public sector organisations, thus justifying this study.

### 2.1.3   Opinions on NPM

The conflation of the multiple reforms witnessed in the public sector appeared to make the organisations lose their characteristics both in outlook and the range of services provided. Some researchers have indicated that public sector organisations are shrinking, but the most obvious fact is the increasing difficulty in drawing a line of distinction between the characteristics of a public organisation, when compared to a private entity. NPM has remained a longstanding programme and it is still considered a foundation stone of the whole reform process (Hood, 1998; Mathiasen, 1997). The multiple reforms introduced by the government in the public organisations propelled a shift in focus from compliance and control towards efficiency, effectiveness and economics. These were all rooted in the introduction of commercial business practices and comparative markets (Broadbent and Guthrie, 1992; Lapsley, 1993).

The diffusion of NPM brought a new dimension to the accountability argument in the public sector, as it was continually being perceived as a threat, thereby breeding conflict between the entrepreneur's desired autonomy and democratic accountability (Bellon-Goerl, 1992:131). It was also argued that the NPM reform of public sector accountability was most noticeable in the change from organisational procedures to performance management and the variation in the set of accounts to be reported, which was especially new to the public sector. This has

resulted into calls for further theoretical and empirical investigation into this phenomenon. (Parker and Gould, 1999; Hood, 1995).

In a different study (Williams, 2000), the adoption of NPM was highlighted as another neglect or blatant refusal to learn from the history, the study refuted the idea that the exhorted message of reinvention through the adoption of NPM was new, and argued that the theme about the private sector learning to work efficiently and effectively has been an age-long and regular feature throughout the twentieth century. Accounting tools, such as performance measurement, performance budgeting, privatization, engagement of the not-for-profit sector, long range budgeting, management by objectives and even the recognition of dysfunctional effects of too many rules, had purportedly existed long before the reinvention movement came on the scene. According to Williams (2000), the new branding of these, as advocated by the reinvention movement, was not a dramatic or a paradigm shift as represented in public administration (Osborne and Gaebler, 1993; Borins, 1995; Hood, 1995).

In another study (Lynn, 2001), it was argued that NPM was too simplistic in its disapproval of the old public administration system, the NPM's description of the traditional public administration as largely self-serving, divorced from the political systems, and acting on the basis of a scientific technocratism did not correspond to reality. The division between policy and administration was much more subtle. The study proposed that politics was primarily responsible for policy formulation, while administration was primarily responsible for executing policy. It was noted that these responsibilities were not exclusive, similarly, the formation was inseparable from execution (Lynn, 2001).

On the subject of simplicity, NPM's high-handedness in wiping out bureaucracy in the public sector was also held to be too one-dimensional. The term 'bureaucracy' is a general term for a wide variety of organisational forms, including specialist, single-purpose agencies and boards that are not part of the central ministries. The emphasis placed by NPM on efficiency and effectiveness was argued to be nothing new (Ricucci, 2001). The admittance of Osborne and Gaebler (1993) gave credence that bureaucracies were originally intended to introduce efficiency and rational decision making into public administration. Therefore, bureaucracy has a clear and positive feature. Its central values are reliability, equity and anti-corruption. This was in support of the assertion by Pollitt (2003), which highlighted that bureaucracies were not monolithic. They work according to predictable rules, based on public law. Bureaucracies encourage loyalty and discourage opportunistic attitudes in civil servants (du Gay, 2000).

Steane and Carroll (2000) commented on NPM's assumption regarding the state, firstly, it perceived the state to be a creature of powerful, self-interested groups in society. Secondly, it regarded the state as a thriving public medium, with a hierarchical and essentially static mechanism, which should leave production of services entirely to the market. This was totally in conflict with the third perception, which argued that the state plays a role similar to an umpire, a dynamic regulatory state, vital for the operations of the global economy. The vision of a small state goes back to the early days of the NPM literature of the 1980's, which shares linkage with the neo-liberal Thatcherism and Reaganomics (Gruening, 2001). The general assumption was that some governmental reforms were inspired by the 'New Right-Wing' movement, with a hidden agenda aimed at rolling back the state (Pollitt, 1993; Evans et al., 1996). Hood (1995) refuted this idea by pointing out countries that were traditionally seen as leftist, notably Sweden, who had widely adopted the NPM-reforms in the 1980's. On the other hand, countries, such as Turkey and Japan scored low on NPM emphasis, though their governments could be regarded as right wing.

Some other studies investigated the reasons why organisations and states adopt a reform; one study suggested that the reason behind privatisation in the public sector was primarily for the facilitation of recovery from, or aversion of, financial difficulties, induced by increased competition for revenue, inability to raise capital and complicated or inefficient purchasing and compensation systems (Legnini et al., 1999). Specifically for the NHS, the reason for reforms was 'ostensibly financial' (O'Neal, 2000). It was also suggested public sector privatisation in the UK was expected to lead to a lower cost of production and better service quality to consumers (Parker, 1999).

In the wake of the spread of reform programmes in the public sector, (Nestor and Mahboobi, 1999) in an OECD research, argued that the general poor performance of public utilities and changing views on the role of the state in the economy, meant that public provision of infrastructure became less popular in the OECD countries. Growing demand for more and better quality infrastructure services had increased the need for infrastructure investments at a time, when budgetary constraints had limited the scope for government funding. This provided further impetus for the change in governments' approach to such investments.

Drawing from concern over the adoption of NPM, Lapsley (1999) argued for the need to revisit the tenet of NPM and its rudiments, given the problematic nature of identifying input-output elements in complex services. This was expected to facilitate a clear definition of

quantities, which prioritise the primacy of accounting and also identify irrationalities, which may adversely affect quality.

## 2.2.0   Empirical Research in Health Care Sector

Alam and Lawrence (1993) studied the importance of accounting technologies and practices in a commercialised and economically-driven health sector of New Zealand. Reforms in New Zealand were found to be aimed at changing the culture of healthcare providers through new accounting methods. The introduction of a new system, with the purchaser and provider split was unable to bring the desired greater efficiency and flexibility. In addition, it was found to create a dichotomy between the social and business roles. Major problems were found within the new system, which related to a lack of proper product definition, as well as the quality and product prices.

In another study, Lowe (2000) reviewed the implementation of an accounting concept in a large regional hospital - Health Waikato in New Zealand. The use of accounting techniques was found to be a central part of the process, through which change was made acceptable within an organisation. The implementation of a clinical budgeting system was found to be central to the constitution of the organisation. The project implementation influenced the organisational culture, work patterns and staff interrelationships.

Glynn et al. (2008) also examined the progress made by General Practices (GP) that opted to become budget holders at the introduction of GP budget holding status in the UK. The study found that whilst the practices concentrated on developing financial budgets, very little effort was being put into developing practice budgets, which resulted in scanty performance monitoring.

Lega and Vendramini (2008) studied the roles, benefits and drawbacks of planning, controlling and performance measurement systems in an Italian healthcare organisation. The study concluded that these accounting systems stimulated interaction between physicians and managers and it enabled them to discuss changes and the future direction of the organisation. The system was also responsible for the stimulation of greater accountability and the cost-conscious culture witnessed in the organisation. On the other hand, the research found that the abuse of systems, partial development and the struggle to move from operating to performance management were deeply affecting the organisation's legitimacy. Normative, coercive and mimetic isomorphism, the introduction of quasi-markets and an interest in

improving clinical governance were identified as the reasons for the development of these systems.

In a study (Agrizzi, 2003), which investigated the level of balance maintained in achieving performance indicators in an healthcare organisation, the study argued that the pressure to achieve the key indicators at the operational level overshadowed the organisation's concern for the quality of care. In addition, performance indicators was perceived by organisational members as a non-relevant steering mechanism and a system of legitimised rules through procedures, which has proved superficial, as it is incapable of producing any alteration to the organisational interpretive schemes.

Goddard and Powell (1994) examined accountability in the Public Health Service sector under a multiple stakeholder, with a diverse stakeholder interest. They concluded that the involvement of different stakeholder groups in the design of an accountability system may lead to improvement in public accountability.

### 2.2.1 Empirical Research in Government Departments

DuPont-Morales and Harris (1994) argued that incorporating planning and performance measurement into budgeting created a strong system of accountability. They also stated that the incorporation of organisation's purpose, direction and impact, strengthened the bond of accountability between public agencies and tax-payers.

Ter Bogt (2008), in a study of Dutch local authorities, revealed that the organisations showed low regard for the quality and value of information obtained from output, outcome budgets and related documents. Most respondents expressing their experiential opinion were unimpressed with the quantitative performance measurement in output and outcome budgets.

Organisational culture was also highlighted as a major driver for actors' behaviour (Goddard, 1999), the study argued that there was a relationship between budgets-related behaviour and culture. The study, which investigated the interrelationship between culture and financial control systems in three local governments in the UK, found financial control systems to be both constitutive and reflective of the prevailing culture. The reflective feature was more obvious when professionalization became a central focus of the departmental cultures, while the constitutive attribute was noted, when a financial control system was used to change the culture.

Ezzamel et al. (2007) examined how new accounting and budgeting practices emerged and unfolded in three devolved local government organisations in the UK. Budget was perceived

as a ritual in the organisations and there were elements of isomorphism or convergence, most likely to have been of a normative nature. The study concluded that accounting and budgeting can become a highly ritualized and institutionalized practice, thus explaining the importance accorded them by all the devolved bodies.

In another study, Goddard (2004) investigated the relationship between accounting, accountability and governance in the UK and showed how budgetary practices contributed to accountability in local government. A budget system was found to be the most important process within the organisation to emphasize accountability. In this study, the annual budget cycle was the pre-eminent accounting practice used to achieve accountability in all cases. Goddard (2005) elaborated on the extension of the NPM reforms into the relationship between accounting, accountability and governance and found that budgeting practices made a more significant contribution to accountability than any NPM reform.

The study undertaken by OECD (1997) argued that some OECD countries adopted the multi-year budget system as a means of focusing on providing the financial stability needed to take a longer perspective on performance objectives (e.g. Denmark, Canada, and Sweden). However, this goal was found to be difficult in times of budgetary squeeze, where financial uncertainty made it difficult to commit resources over longer periods of time.

### 2.2.2   Empirical Research in Other Sectors

Dean (1986) researched into the adoption of zero based budgeting in developing countries. The study found that these countries faced similar challenges to their counterparts in developed countries. Highlighting problems encountered in the process, it was noted that the problems of reform implementation may not only be limited to the specific contexts of the country, but also to the technical nature of the reform itself. This study also argued against the makeshift transfer of accounting technology from the developed to developing countries, without proper consideration for the country's context and the nature of the innovation, or the fact that the techniques may not work for them.

Melkers and Willoughby (2005), with the aid of an interview based research design, sought the opinions of budget officers about performance-based budgeting implementation in their states. The implementation of the reform was found to be very slow. The study showed that more users were confident about the role of performance information in the budgeting process. Legislative and executive support for the implementation was found to be very critical. A number of benefits were highlighted, but not without experiencing some inherent

problems, especially in the varying perceptions of its users and success among actors, particularly across branches of government.

Goddard and Assad (2006), observed the important role of accounting in navigating organisations' legitimacy in Tanzanian Non-Governmental Organisations(NGOs). The study found that the organisations' strategies for navigating legitimacy were generally based on building credibility and bargaining for change.

Andrews (2004) investigated the reason behind the adoption of reforms in a few states in the United States of America, specifically the adoption of performance-based budgeting. The result proposed a three factor model for meaningful adoption, which was lacking in most governments, namely - a reform space, which was determined by the intersection of greater and appropriate authority, better acceptance, and higher ability.

Broadbent and Laughlin (1999) assessed the role of financial management in schools in the United Kingdom and New Zealand and concluded that the UK focuses on accountability based on individual performance of teachers and students while in New Zealand performance was based on the aggregation of the whole school.

Sarker (2006) used secondary data to analyse the factors that contributed to the success and failure of NPM reforms in Singapore and Bangladesh. Success factors identified include a formal market economy, the rule of law, the mature level of the administrative infrastructure and state efficiency.

## 2.3    Summary

This chapter has reviewed the literature on accounting and innovation, especially the introduction of reforms in the public sector, the introduction of New Public Management in the 1990s, which is now, recognised as the major change that transformed the public sectors around the world. This was also linked with the spate of reforms within the NHS from the 1990s in the United Kingdom. The review also highlights the introduction of New Public Management in the UK public sector and the various opinions expressed regarding its implementation. A major limitation was noted in the study of reform in the NHS, given the number of reforms introduced in the sector, very little has been done to evaluate the effect of these changes and the influence of accounting practice on the organisation and its staff. The next chapter presents the chosen theoretical framework, arguing for an institutional theory as a theoretical lens for this study.

# Chapter Three

## Institutional Theory– A Theoretical Framework

## 3.0     Introduction

The chapter provides an account of institutional theory as a theoretical framework for this study, highlighting the nature and the various aspects of the theory. This is necessary to gain background knowledge of the theory as a language that enables researchers to explain organisational change. This chapter reviewed various accounting studies built on this theory, with a view to summarizing their contributions and relevance to this study. A part of this chapter explains the influence of institutional carriers on adoption intent, which reflects the theory of legitimisation. The theoretical explanation offered in the New Institutional Sociology (NIS) was particularly useful and suitable for exploring the FT phenomenon in the NHS. Furthermore the chapter unveiled organisational change experience being researched, with emphasis on the role of various stakeholders in the organisations, which includes the government, the regulators and NHS staff.

## 3.1     Institutional Theory

The adoption of change in organisations has maintained dominance in academic discussion over the years (Townley, 2002), especially in management accounting literature. Studies of management accounting changes in organisations has enjoyed a wide coverage over the years, leading to the extension of institutional theory, which has covered different dimensions of institutions and their environment (Moll et al., 2006).

Institutional theory as a theoretical framework suggests that organisations are influenced by, and can influence, the society in which they operate (Meyer and Rowan, 1977; Meyer and Scott, 1992; DiMaggio and Powell, 1983, 1991). Early versions of institutional theory emphasized the taken-for-granted character of institutional rules, myths, and beliefs as shared social reality, and the processes by which organisations tend to become instilled with value and social meaning (Berger and Luckmann, 1967; Selznick,1957).

This theory has also been defined in diverse ways, with substantial variations amongst approaches (Scott 1987); through which it was explained or described. Therefore, it is in order to assume that institutional theory takes different shapes and forms, putting forward different bases of order and compliance, varying mechanism and logics, diverse empirical indicators and alternative rationales for establishing legitimacy claims (Scott, 2004:9). This

theory is primarily relevant to organisational settings; its views regarding organisations assist researchers to gain a full grasp of the concept. The theory identifies players or actors in the make-up of an organisational environment and the role being played by each individual. DiMaggio and Powell (1983) explained that there are two primary institutional actors in contemporary society, namely the state and various professions. Within the state category, it is likely that there are private representatives, such as fund granting bodies, originating not only from the public sector, but the private sector also. In the same vein, other actors within the institutional environment could be employees of an organisation. This includes the managers, their subordinates, customers, board of directors, among others. Actors are also described as stakeholders within organisational settings in some literatures.

By extending this concept to the subject of this research, within the NHS social setting, the actors or stakeholders in the NHS could be classified to include the government, which controls the NHS through the office of the Secretary of State. This office is responsible for the Department of Health, a government agency responsible for the management and regulation of health services in the United Kingdom, and then the Strategic Health Authority (SHA), which is another government body responsible for governing the operation of health service organisations in the local regions, it was recently replaced by a new body called the t

Trust Development Authority (TDA) in March 2013. Other participants or actors are the Primary Care Trusts (PCTs), which has now been replaced by a new body known as the Clinical Commissioning Group (CCG) in March 2013, the CCG is the budget-holder for the commissioning of health care services in its local population, and the Secondary care outlets, which includes the Acute Trusts, Community Trusts, Mental Health Trusts and Ambulance Trusts. The secondary care units are usually referred to as 'the hospitals', they are the provider arm of the NHS, primarily responsible for the delivery of health care services to the public based on a contract established with the CCGs. The roles and structure of these organisations are further elaborated in Chapter 5.

### 3.1.1 Organisations and Institution

The words 'organisation' and 'institution' are used interchangeably, on a day to day basis, purporting that both words refer to or mean the same thing. They were differentiated by Esman and Bruhns (1965:12) who explained that 'an organisation is primarily a technical instrument, a means to reach certain objectives, but never an end in itself. Institutions, on the

other hand, has the inherent capacity to shape the cognitive processes of individuals associated with them (Douglas, 1986: 46, 53).

Institutional analysis is concerned with purposes and values, which extend beyond the immediate task at hand'. The dictionary of sociology (1998) defined organisations as the outcome of motivated people attempting to resolve their own problems. Organisations are socially constructed by the individual actions of members, possessing habituated expectations of each other. It also debates whether it is appropriate to refer to organisations as institutions that pursue organisational goals.

A formal institution is characterised by laws and rules, designed to structure human interaction. An informal institution features unwritten norms, traditions, codes of conduct and values that shape human behaviours and actions. Some institutions are known to be deliberately created, while others evolve on their own as a result of human interaction (Esman and Bruhns, 1965:12). An Institution can also be defined as: 'a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people' (Hamilton, 1932: 84). Scott (1995:33) asserted that 'institutions' are social structures that have attained a high degree of resilience.

From the above, institutional theory can be explained  as a rule-like, social fact, and the quality of an organised pattern of action (exterior) and embedded in formal structures, such as formal aspects of organisations that are not tied to particular actors or situations (non-personal/objective) Zucker (1987:444-445).

### 3.1.2   Developments in Institutional Theory

The use of institutional theory in this research necessitates tracking the development of the theory over the years, in order to understand how it has evolved in social science, particularly its implication for this study, which involved understanding the role of actors in an organisational change, within their social environment. The development of institutional theory in diverse disciplines has progressed rapidly in recent years, mainly in disciplines such as economics, political science and sociology. Three main branches of institutional theory were identified on the basis of discipline; they are institutional theory in economics, political science, and sociology (Scott, 2001).   There are several accounting studies that used institutional theory as a lens to investigate accounting phenomenon (Dillard et al., 2004). In general, accounting research from the institutional theory perspective is informed by the old

institutional economics (OIE), new institutional economics (NIE), and new institutional sociology (NIS) theories (Burns and Scapens, 2000).

The (OIE) researchers' primary concern was to analyse the role of prevailing institutions in change processes, and to study the reproduction or change in institutions over time. Institutions, defined as the combination of habits and routines forms an essential part of the social context in OIE. The habits and routines refer to ways of thinking and doing that becomes regular over time, while habits are features of individuals, routines comprise regular ways of thinking at the level of both the individual and group (Robeiro and Scarpen, 2006). The OIE perspective is useful in the analysis of the complexity inherent in change dynamics at the micro level of an organisation, as it explains conflict and the struggle for power.

The recurrent re-enactment of habits and routines over time can lead to institutionalisation, which is a gradual, and in some sense a "natural", process through which specific patterns of thought and action become widespread and taken-for-granted (Burns and Scapens, 2000; Scapens, 2006). These routines tend to become unquestionable and meshed into the generic structural properties of the organisation

The main concern of neo-OIE research in management accounting is to understand the processes through which management accounting rules and routines become institutionalised within an organisation. In other words, it describes how management accounting practices are shaped by the "taken-for-granted assumptions, which inform and shape the actions of individual actors" (Burns and Scapens, 2000:8).

The NIE is more concerned with the various processes through which management accounting rules and routines becomes institutionalized within an organizational setting, and it also highlights on how management accounting practices are shaped by taken for granted assumptions, that in turn influences and shape the actions of individual actors.

The NIS focuses on the pressure exerted on organisations to make them become isomorphic, whereby they begin to conform to a set of institutionalised beliefs (Scott, 1987). This is particularly useful when studying the "macro" level organisational fields. It is a powerful theory for explaining the adoption of innovations by "institutionalised" organisations (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). NIS suggests that institutionalisation occurs in the course of human interaction (Meyer and Rowan, 1977). Thus the study of institutionalisation requires investigation of how patterns of social interactions develop into

social structures that either constrain or enable action (Philips et al., 2004; Dillard et al., 2004).

The NIS advocates a move beyond the traditional concept that an organisation is perceived as a technical flow or merely a production system (Scott and Meyer, 1991), and it gave consideration to its institutional environment. NIS holds the belief that Organisations do not exist in a vacuum, but within an organisational field, which includes its key suppliers, competition, regulatory and political system and so on (DiMaggio and Powell, 1983). The collective beliefs amongst these units are objectified, to bring about the 'Social Reality' surrounding the organisation (Greenwood et al., 2002).

Generally, researchers using the NIS described institutions as patterns of social behaviour and actions, which are continuously created through self-regulating mechanisms (Philips et al., 2004). An institution, by this definition, affects the way of thinking and actions of a group of people by shaping them to conform to certain standards (Burns and Scapens, 2000). They control the people by setting up predefined patterns of conduct and generally manifest themselves in actions and behaviours of considerable numbers of people (Scott, 2001). When certain behaviours, actions, or routines unfolds in an organisation, for instance, adopting a specific budgeting system, and that adoption becomes the unquestionable way to performing a task in the environment, then that innovation is said to have become institutionalised (Burns and Scapens, 2000). An institutionalised structure is a structure that has become taken for granted by members in a social group as an efficacious and cognitive pattern of the actors (Scott, 2001).

Studying the role of FT reform in the NHS presupposes a change in the prevailing institutional structure that was hitherto dominant in the organisation. The FT regime is a change that cuts across the organisation and may also cut through the norms, rules and routines that were in existence in the NHS. This is one of the main reasons why institutional theory was found appropriate for this study, to help to understand the effect of the change on the organisation both at the micro and macro levels. While the macro level refers to the management level of the organisation (government and trust board) generally responsible for the strategic steering of the change, the micro level refers to the senior, middle and junior members of staff that are generally responsible for the implementation of the change as they are involved in the day to day affairs of the organisation.

NIS is primarily concerned with interactions between organisational structures, practices, behaviours, and the wider social environment in which organisations operate (Hussein and Hoque, 2002). NIS theory knows little or nothing about intra-organisational change, as this was affirmed by Tolbert and Zucker (1996) referring to the lack of details on how the process of institutionalisation occurs inside an organisation. A greater strength of the NIS is its attempt to show the interplay between the institutional and technical environments (Hoque and Hopper, 2002; Hussain and Hoque, 2002; Modell, 2000), it reveals that many elements or forms of formal organisational structures, practices, and characteristics arise as a consequence of the social expectations of appropriate practices (Bealing et al., 1996).

This research benefited from the NIS perspective, which posits that organisations are motivated to interact with their environment in ways perceived as appropriate by the various stakeholders for the purpose of survival and the maintenance of legitimacy (Dillard et al., 2004). NIS is particularly relevant for analysing organisations that are confronted with uncertainties, and as a result, compete for political and institutional legitimacy and market position (Tsamenyi et al., 2006). It must also be recognised that behaviours and practices in organisations both at micro and macro levels are shaped by 'coercive, mimetic and normative isomorphic processes' (DiMaggio and Powell, 1983:147).

This research focussed on institutional analysis as informed by NIS, where it uncovered the nature of the change – the adoption of FT status. This is primarily an action, which originated from environmental influence, in this case the government in the United Kingdom, who introduced the concept and stipulated that it must be adopted by all NHS secondary care organisations; the second level unveiled the effect of this adoption from the perspective of staff working within the organisation, judging from their experience as they implemented the change. The concept of organisations and institutions was further illustrated by using the work of Zucker (1983), which analysed the levels of institution in organisational analysis and also set the basis for this study.

### 3.1.3 Zucker's Adolescence of Institutional Theory (1983)

It was mentioned earlier that institutions exist at different levels, purporting that it is possible to analyse the process of institutionalisation using the lens of institutional theory either at an organisational or at interpersonal/individual level. Zucker's study attempted to explain institutionalisation under the two different headings viz:

(a) The Organisation as an institution - Internal or Micro level analysis

(b) The Environment as an institution. – External or Macro level analysis

While the organisational perspective portrays institutionalisation as a process that builds up a prevailing social element from within an organisation, the environmental perspective leans towards the reproduction or copying of social elements from other sources, which are external to the organisation. When adopted, those copied elements become the norms that prevail in the organisational setting. This shows that institutional theory has both external and internal relational perspectives.

The table below was used by Zucker (1987:444) to explain the attributes of an organisation as an institution. It is important to note that when an organisation is considered to be an institution, the idea or focus of such organisation are either created organically by the actors, or created by copying other organisations through internal processes, or built through the assistance/support of similar organisations. Institutional forms (rules, norms, routines and social orders) are generated internally by a group of actors through the process of reciprocal typification, which in turn creates stability and efficiency in the organisation.

| Theoretical approach | Environment as institution | Organization as institution |
|---|---|---|
| Motif | Reproductive | Generative |
| Source | Growth of state | Small groups & imitation of other organizations |
| Locus . | Outside organization State linked | Internal process Similar organizations |
| Outcomes | (1) Decoupling from technical core (2) Inefficiency | (1) Stability (2) Efficiency contingent on alternatives |

*Table 1- **Institutional Theories of Organisation** -* Zucker (1987:444)

The table also shows the characteristics of the environment as an institution. In this instance the organisation is in a position, where it reacts to pressures generated from forces external to it, therefore, being shaped by the rule like pressures imposed on it.  The basic attribute of this feature includes reproduction or copying of other organisations; the locus is usually outside the organisation and the source of influence could be the state (Regulative Pressure) or professional bodies (Normative Pressure) (DiMaggio and Powell, 1983). The outcome of this pressure may lead to the organisation's decoupling from its technical core and becoming inefficient.  It is clear that Zucker's model identified the theoretical divergence in the study of

institutional theory, which could be arranged into the internal and external processes or pressures exerted on organisations.

## 3.2    Reflecting Institutional Theory on FT Setting

The major reason given by the UK government for the introduction of FT status in the NHS was to create value, and raise an effective and efficient organisation within the healthcare sector. The change was to be facilitated by an array of management control tools being introduced in the NHS in quick succession, at about the same time. This is all part of the schedule of changes highlighted in the 'NHS Plan' white paper (The NHS Plan, 2000). Included in this NHS plan document was the introduction of Payment by Results (PBR), which was a new tariff system that presented the healthcare sector with a new currency of operation. In the same way as the FT reform, PBR involved a long process of implementation, which is still on-going. Another major change that was introduced in the NHS at about the same time was the 'Patients Choice' agenda, which allowed patients in the NHS to choose their preferred General Practice or hospital, for the delivery of their required health care needs. The government's rhetoric behind these reforms was to create value, thereby expanding its 'Value for Money' programme in the UK public sector.

Creation of value was highlighted as one of the relevant features or attributes defined by the institutional theory framework (Selnick, 1957).  This portrays the NHS as a technical instrument designed as a means to a defined goal. The goal of the NHS as an organisation was to provide a comprehensive healthcare service at no cost to the citizens of the United Kingdom. Within the NHS structure is a multiple network of professionals and agencies, all working together to achieve that aim. Researchers adopting institutional theory argues that management accounting practises assumes a form that is usually influenced by the complexities of multiple constructions, namely its environment and the expectation they convey' (Baxter and Chua, 2003:100).

The concept of FT status became widespread within the NHS as trusts went through the gateway to achieve FT authorisation. Given the organisations' mass drive towards attaining FT status, the FT concept gained its shared reality and basis of interaction within the NHS. This is often referred to as a social order, as evidenced in the work of Berger and Luckmann (1967:54) where the central question was - 'What is the nature and origin of social order? Social order is known to be birthed as a result of human activity, which is based on shared social reality and is a product of human social interaction, which includes individual actions

that are interpreted by others. Such interpretation is agreed unconsciously from interactions, which over time are assigned meaning by the individual and others (Scott, 1987:495). A new perspective was offered to this type of interaction, referred to as 'Reciprocal Typications' (Berger and Luckmann, 1967:54).

Within this shared reality, a process of institutionalisation thus evolves over time, when several NHS organisations began to put themselves forward for FT authorisation. This process involves three phases- firstly, the process of taking action by individual (externalisation); secondly, the process of interpreting the actions as having an external reality from themselves (objectivisation), and finally the objectivated world is internalised by individuals (internalisation). Institutionalisation was deemed to be the 'fusing' of institutional structure and behaviour (Scott,1995:18). Kustova and Roth (2002) asserted that active adoption of any institutional logic is only achieved, when the implementation (in behaviour and action) and internalisation (when employees view the new logic as valuable and commit themselves to the practice) are completely fused together. Therefore, it is possible to go through the routine of implementation without internalisation, which results in a phenomenon known as loose coupling or decoupling, whereby the change is not fully engaged within the processes of the organisation. In this instance, the technical core of the organisation remains just as it was prior to the adoption of the change. This could be the case, where the new practice is only adopted on a ceremonial basis (Kustova and Roth, 2002).

The focus of this study amongst others was to reconcile the role played by each layer of staffing structure, namely the management, clinicians and administrators within the organisation in the course of FT adoption. This elaborates the reasons behind organisational reactions to the various institutional pressures exerted on it to become a Foundation Trust organisation. As more trusts became licensed to become FT, the reform became more established, whereby more trusts within the NHS worked arduously towards obtaining the FT badge, by presenting themselves as efficient organisations in order to gain the approval of the regulators and the public.

## 3.3    Theory of Legitimacy and Efficiency

Organisations within the NHS must continue to present themselves as efficient and well managed entities in order to achieve FT status. Institutional theory recognises that organisations do not exist in a vacuum (DiMaggio and Powell, 1983). Rather, they relate and operate in a system that is interlinked and interdependent. Therefore, at a global level,

organisations are controlled and made accountable not only to the government, but also to other institutional forces such as the professional bodies and the public, which they serve (Meyer, Scott, and Strang, 1987; Scott, 1987; Scott and Meyer, 1987).

In general, organisations compete for resources and customers; in addition they also compete for political power and legitimacy in order to obtain social and economic rewards (Meyer and Rowan, 1977; Meyer and Scott, 1992). For organisations to achieve these goals, they often seek legitimacy. Legitimacy by definition is 'a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995:574). The shaping of legitimacy and performance of any organisation is primarily determined by the organisation's institutional environment.

An Organisation's choices are often limited by various institutional pressures, as seen in the NHS, where trusts are required mandatorily (without a choice) to sign up for the FT status. In similar circumstances, organisations with no option generally respond to external demands with an aim to ensure their survival, especially when they operated within an interconnected environment (Powell, 1988).

In a number of instances, organisations have adopted an innovation for efficiency reason, this was found in situations where the organisation perceives the change is in alliance with its global objective and supports the organisational direction for competitive edge (Tolbert and Zucker, 1983).

There are different sides to institutional theory, which starts from the study of taken for granted assumptions within an organisation, which in itself is simply an internal phase of an institution. This was the basis of the work carried out by Burns and Scarpen (2000), where they adopted the Old Institutional Economics Framework (OIE). Other studies have since expanded this theory (Covaleski and Dirsmith, 1983; Ansari and Euske, 1987; Mezias, 1990 and Covaleski et al., 1993). The other side to this is the externally induced pressures, as explained within the New Institutional Sociology (NIS) approach. NIS explains the effect of external pressure on organisational change as organisations seek external legitimacy. Neo-institutionalism posits a more realistic concept of isomorphism, which is defined as a response to strategic processes, a process resulting from the interrelations between the institutional context and the organisation. (Fernández-Alles and Valle-Cabrera, 2006). This is

particularly similar to the context within the FT reform, hence, the overriding relevance of the NIS in this study.

Institutional theory posits that the primary determinant of organisational structure is the pressure exerted by external and internal constituencies on the organisation to conform to a set of expectations, in order to gain legitimacy, and so secure access to vital resources and long-term survival (Brignall and Modell, 2000:288). A major contribution by DiMaggio and Powell (1983) explained that organisational conformity to norms stemmed at three different levels, namely - Normative, Coercive and Mimetic processes. The resultant effect of these factors could lead to isomorphic attributes in organisations, which results in similar traits and performance in organisations within the organisational field.

Within the framework of legitimacy, it is viewed that the social becomes mythical and implicitly dysfunctional in strict task performance terms, while the technical remains real and rational (Meyer and Rowan, 1977:356-57). The reason behind an organisation's quest to obey rules under pressure is located in the resultant effect of their conformity to the collective normative orders, which often increases their flow of resources and enhances 'long time survival prospects'. It must be stressed, however, that survival chances do not determine the efficiency of the organisation, and it is also not plausible to assume that the organisation agrees with the rules or pressures exerted on it by external forces, merely because of its compliance. In some instances, the action of the organisation may be directed strictly to gain legitimacy, resources and acceptance.

Overall, there are two sides to the argument. The first is to contend that there is a possibility of incongruence between the internal efficiency of an organisation and the external pressure exerted on that organisation. This presents a situation where an organisation is unable to maintain technical efficiency in the face of a conflicting interest. In this scenario, the organisation submits or conforms to the institutional pressure, in order to seek legitimacy. This connotes yielding to external pressure and condition, which may have a detrimental effect on the organisation's technical core, which could also lead to decoupling. The second side of the argument assumes that gaining legitimacy is an important aspect of an organisation's life, as it guarantees the firm's survival, its access to resources and presents it with a better reputation.

The maintenance of efficiency is an objective, which must co-exist with acquiring legitimacy within the management process. The responsibility is essentially the role of managers who

are ultimately responsible to the stakeholders (Meyer and Rowan, 1977). Organisations often find themselves in this situation and must decide on the most viable option for their organisational context.

Dimmaggio and Powell (1983) provided an explanation of the various processes that make organisations appear similar without necessarily making them more efficient. This is known as the mechanism of isomorphism, which has been extensively explained by a number of authors (Dimmagio and Powell, 1983; Rowan and Meyer, 1977; Scott 1995). Isomorphism is a constraining process that forces one unit in a population to resemble other units that face a similar set of environmental conditions (DiMaggio and Powell, 1983). Organisational action largely reflects a pattern of doing things that evolves over time and becomes legitimated within an organisation and its environment (Pfeffer, 1982). Isomorphism may be presented in a number of forms, namely the Competitive and the Institutional Isomorphism (Dimmaggio and Powell, 1983). The distinction between competitive and institutional isomorphism is that competitive isomorphism is built on efficiency, where there is only one option that is cheap and the most efficient way of performing a particular task. Institutional isomorphism, on the other hand, is based on rules, doctrines and beliefs, which an organisation must comply with in order to gain legitimacy. There is a general assumption within NIS that the resource supply exists at the same level between organisations, thus reducing competition and differentiation (Fernández-Alles and Valle-Cabrera, 2006). This is in sharp contrast to resource based theory, which assumes that there is a variation in resources available to organisations, thereby creating competition, which necessitates the need to seek legitimacy. Resource based theory thus creates a heterogeneous organisation, recognising the domination of one firm over the other. This is in sharp contrast to the principle of isomorphism, which is rooted in homogeneity. It is useful to recognise that neo-institutional theory incorporated the logic of resource-based theory by introducing the principle of agency, which allows managers to control how well to adapt to institutional pressures. The ability to interpret accurately and adapt well to institutional pressure becomes a source of competitive advantage (Fernández-Alles and Valle-Cabrera, 2006).

Dimmagio and Powell (1983), discussed isomorphism in organisations on the assumption that organisations tend to move in the same direction in response to the pressure exerted by institutional forces. The focus here is on similar movement towards, and the maintenance of institutional norms through coercive, mimetic and normative processes. Institutional norms

deal with appropriate domains of operation, principles of organising and criteria of evaluation. (Hinning and Greenwood, 1988).

Coercive Isomorphism usually stems from political influence and the problem of legitimacy. It takes the form of formal and informal pressure exerted on organisations by other institutions upon which they are dependent, and by the cultural expectations of the society within which organisations function (DiMaggio and Powell, 1983:150). Such pressures may be felt as a force, persuasion, or an invitation to join in collusion. The rationale underlying these institutional influences is primarily a financial dependence. In cases where alternative sources are either not readily available, or require an effort to locate it, the stronger party in the transaction can coerce the weaker party to adopt its practices so as to accommodate the stronger party's needs. In other words, organisations will become subject to the whims of resource suppliers. (Dimmagio and Powell, 1983:150)

Coercive isomorphism was reflected in the adoption of FT Status within the NHS, where the status was introduced by the government and entrenched in a new Act of Parliament, setting up a new structure for the NHS. Thus the creation of the FT status fostered the government's agenda of a patient-led health institution, which was backed up by an enabling constitution and a structure that was different to that of the traditional NHS secondary care setting.

Mimetic isomorphism refers to an institutional force that drives an organisation to copy or model itself upon another organisation, which they perceived to be doing well, or very successful in the field. This unveils an organisation's desire to do what is accepted to be right or normal. Organisations tend to model themselves upon similar organisations in the field, which they perceive to be more legitimate or successful (Dimmagio and Powell, 1983:152).

Normative isomorphism refers to institutional pressure from professional organisations, which expect members to comply with certain rules and regulations developed by their group. These laws and rules are embedded in their mode of operation. The rules form the central creed, and are often elaborated through professional training, conferences and, in recent times, the compulsory professional development requirements. The NHS is an employer of a vast number of professionals, and each level of professional belongs to specific professional bodies, such as the nurses, doctors, accountants and so on. In addition to these, each professional body in turn has its own regulatory body, aligned to certain agendas. Each organisation is embedded in both its own internal institutional environment, which consists of the structures, systems and practices established in the past (Meyer and Rowan, 1977), and in

an external institutional environment, which is the context it shares with many other organisations (Granovetter, 1985).

The consequence of these institutional pressures is the creation of institutional rules (Hassan, 2005:125). Organisations attempt to adopt these rules in order to obtain social legitimacy. However, Meyer and Rowan (1977:356) observed that organisations in search of external support and stability incorporate all sorts of incompatible structural elements, leading to a concern about efficiency. It must be noted that the occurrence of any combination or all combinations of the institutional isomorphic processes does not guarantee an increase in organisational internal efficiency (DiMaggio and Powell, 1983:153).

The introduction of FT status in the NHS was a major change to the system, though not the first of its type, but one with a far reaching effect in a very long chain of government reform programmes. Some studies have suggested that accounting reforms were sometimes adopted in organisations as a legitimating tool, rather than to create better practice, which would help with the organisation's decision making process (Lapsley and Pallot, 2000; Modell, 2001; Ahmed and Scapens, 2003). A few other studies highlighted that there were major influences from the existing institutions, regarding the way and manner accounting information was used by organisational actors; this extends to new accounting systems and techniques in organisations (Burns, 2000; Fogarty and Rogers, 2005). Some researchers also observed instances where accounting practices (the core business) may have been kept separate from other processes affected by the dictates of the institutional forces (Collier, 2001; Modell, 2003; Siti-Nabiha and Scapens, 2005). Several studies have also observed that institutional pressures (coercive, mimetic and normative) contributed to the development and/or the adoption of new accounting practices in organisations (Lawton et al., 2000; Hussain and Hoque, 2002).

Some studies also showed that for organisations to survive, they must accommodate institutional expectations, even though these expectations may have little to do with the short term, technical notions of efficiency or performance accomplishment in the organisation (D'Aunno, Sutton, and Price, 1991; DiMaggio and Powell, 1991; Scott, 1987). Thus, institutional theory shows how organisations behave and respond not only to market pressures, but also to institutional pressures (e.g., pressures from general social expectations and the actions of leading organisations).

The newly introduced rules and routines could become institutionalised over time, especially where the rules were challenged by the existing institution (Burns and Scarpens, 2000). Scott (1995:18) explains that to institutionalise is to infuse beyond the technical requirement of the task at hand. This is often the character of organisations within an institutionalised structure; they tend to adopt forms and procedures that are valued in their social and cultural environment. They do this in order to achieve legitimacy and to secure the resources that are essential for their survival (Robeiro and Scarpen, 2006:96). The greater requirement is the role played by organisations in accepting an innovation or change. The process of changing an organisation is to a large extent controlled by the organisation's micro activities, processes that may or may not be accepted as 'institutions' (Barley and Tolbert, 1997; Burns and Scarpens, 2000). In the case of FT adoption, it was not simply a case of applying for the FT status, the process involved applying for the status and in addition, complying with several hurdles within the monitor assessment framework to acquire legitimacy, which ultimately translates to the achievement of the FT status.

## 3.4    Accounting studies informed by Institutional Theory

Several accounting studies have contributed tremendously to knowledge in the various aspects of institutional theory, covering areas such as performance measurement in organisations, in public, private and not-for-profit sectors (Hussain and Hoque, 2002; Brignall and Modell, 2000; Modell, 2001, 2003, 2005), changes in management accounting in organisations (Burns and Scapens, 2000; Burns, 2000; Siti-Nabiha and Scapens, 2005), and cost allocation processes and techniques (Carmona and Danoso, 2004; Ahmed and Scapens, 2003; Carmona and Macias, 2001). Other issues investigated were budgeting in governmental organisations and schools (Edwards et al., 2000; Collier, 2001; Seal, 2003), issues of legislation, regulations and the role of accounting in organisations (Bealing et al.,1996; Forgarty, 1996; Forgarty et al., 1997; Lapsley and Pallot, 2000; Carpenter and Feroz, 2001; Broadbent et al., 2004; Kurunmaki et al., 2003; Forgarty and Rogers, 2005), and  accounting and institutionalisation processes (Burns and Scapens, 2000; Dillard et al., 2004; Burns and Baldvinsdottir, 2005). It was also found relevant to studies relating to external auditing (Basu et al., 1999).

It is fair to mention that one of the areas of institutional theory that lacks adequate attention and concentration in the literatures are institutionalisation processes (Dillard et al., 2004). Scott, (2001), confirms that this is one of the major limitations of institutional theory literature in general. Within the last decade, only a few number of accounting researchers

have contributed to works focussing on institutionalisation processes (Burns and Baldvinsdottir, 2005; Burns and Scapens, 2000; Dillard et al., 2004; Modell, 2005). Some of the studies on institutionalization elaborated on the nature and variety of institutional processes (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Zucker, 1977, 1988), and the range of influence that these processes exert on the structural characteristics of organisations (Meyer, Scott, and Strang, 1987; Scott, 1987; Scott and Meyer, 1987) and organisational changes (Hinings and Greenwood, 1988; Tolbert and Zucker, 1983).

Similarly on the subject of Foundation Trust, there are only a few studies concentrating on this phenomenon; this includes a quantitative study that researched the extent to which FT hospitals took advantage of their greater independence and control for the benefit of their organisation (Marini et al., 2007). Also (Maltby, 2002), considered the change in governance structure within FT hospitals, while the unwillingness of FT organisations to utilise their authorisation autonomy was investigated (Exworthy at al., 2011) and the evaluation of the effectiveness of governance system within FT organisation (Goddard et al., 2011). None of the previous studies used the institutional theory as a framework or focussed on the institutional effect and organisational response to the FT reform in any way. This current research focuses on the social context of FT organisations, thereby using a qualitative approach, which is found to be a richer mode for studying actors within an organisational context.

## 3.5    Locating the Research Question in New Institutional Sociology

From the aforementioned, there is a need for a theoretical assessment and an understanding of the institutional logic - FT status, and an evaluation of the pressures exerted on NHS trusts, with a view to understanding how the directive to adopt the FT reform influenced the organisation's strategic direction and the coping mechanisms adopted through the process, if there are any. The NIS branch of the institutional theory was found to be an appropriate framework to explain the choices and behaviours exhibited by organisations under the pressure to adopt FT status. The key research question for this study is -

*'How has the adoption of FT status influenced Trust's Strategic Direction in the NHS?'*

The use of NIS as a lens to understand the implementation of FT status is expected to uncover the conduct of the organisations, its personnel and their reaction to an organisational change. This change is rooted in the organisation's accounting and structural form and the source of influence was located outside of the organisation. In this scenario, stabilizing

forces, such as institutional constraints, co-exist with intentional choices to produce organisational paradoxes (Brignall and Modell, 1999). For instance, the more regulators (or external organisational actors) try to innovate by introducing new accounting systems and tools, the less change might actually be produced, since their choices may be negated by influential actors with conflicting interests. Therefore, it is reasonable to pay attention not only to the regulator's innovation but also to the institutional constraints presented in the process of creating the change.

## 3.6 Accounting studies informed by New Institutional Sociology theory

Several accounting research in the public and private sectors has used institutional theory as a lens to explore numerous themes, which include performance measurement in organisations, (Brignall and Modell, 2000; Lawton et al., 2000; Hussain and Hoque, 2002; Modell, 2001, 2003, 2005;), management accounting changes in organisations (Burns and Scapens, 2000; Burns, 2000; Soin et al., 2002; Granlund, 2001; Siti-Nabiha and Scapens, 2005), and budgeting in governmental organisations and schools (Edwards et al., 2000; Collier, 2001; Seal, 2003).

Results from some of the earlier studies have suggested that the adoption of accounting changes by organisations has been strictly for the purpose of legitimating the organisation rather than facilitating efficiency in performance or informing the decision making process (Bealing et al., 1996; Forgarty, 1996; Forgarty et al., 1997; Lapsley and Pallot, 2000; Modell, 2001Ahmed and Scapens, 2003; Kurunmaki et al., 2003; Carmona and Danoso, 2004).

Other studies took the stand that existing institutions such as the form of rules and norms are the main determinants of an organisation's direction of travel, which influences the manner accounting information is put to use by organisational actors. This was specifically observed in the introduction of new accounting systems and techniques in organisations (Burns, 2000; Granlund, 2001; Soin et al., 2002; Fogarty and Rogers, 2005). In an extension of the theory, a number of studies observed that accounting innovations may be 'decoupled' from the core operation of an organisation (Basu et al., 1999; Edwards et al., 2000; Collier, 2001; Modell, 2003; Siti-Nabiha and Scapens, 2005). In these studies, a common ground or similar pattern noted was the identification of the role played by institutional pressures (coercive, mimetic and normative) as a major driver in the advancement of and/or the adoption of new accounting practices in organisations (Seal, 1999; Lawton et al., 2000; Carpenter and Feroz, 2001; Carmona and Macias, 2001; Hussain and Hoque, 2002).

Most of the literatures identified above and other existing institutional theory literature have resoundingly given an indication that accounting inter-relates with various spheres of the environment, explaining that accounting practice influences and in return is influenced by regulatory, economic, political and social environments. This inter-relationship exists beyond the organisation's internal environment; it extends further to its external circle.

## 3.7    Summary

This chapter provides a discussion on the theoretical framework used in this study. Presenting a general synopsis of institutional theory in view of the nature of the FT phenomenon, the chapter justifies the relevance of institutional theory for this research, it also indicates the major distinguishing contribution of institutional theory in earlier studies, as this is often seen in the identification of causal mechanisms in the run up to an organisational change (Dimmagio, 1988); this chapter thus defined the actors and the role played by the actors in the common interest of all parties, in the adoption of the change. The next chapter presents the research methodology for this study, arguing for an interpretive approach, on the premise that the change in question revolves around people within an organisational context.

# Chapter Four

# Research Methodology

## 4.0    Introduction

This chapter presents how the case study research was undertaken. It starts by explaining the research philosophy, then identifying the difference between research methodology and methods within the context of this study, enumerating the research problem, and strategies adopted to resolve issues surrounding the validity and reliability of the research. This chapter also highlights a number of research methodologies in social sciences and argues for the choice of the appropriate methodology found relevant to this study. It also emphasises how the data gathered was analysed using a thematic synthesis approach. Thematic analysis is a search for themes in data analysis; such themes are consequently presented as fundamental elements that are critical to the description of the phenomenon being studied (Daly, Kellehear, and Gliksman, 1997).

## 4.1    Research Philosophy

Research philosophy relates to knowledge development and the nature of such knowledge (Thornhill et al., 2007). Philosophy is described as a clear and deep seated thought, capable of putting a researcher's thought and language into an analytic and linguistic understanding. Philosophy is a necessity for a researcher when faced with the task of gaining deeper understanding of concepts and events, and also in circumstances where it is important to ask questions of 'how' and 'why'.

There are a number of divergent opinions on research philosophy (Creswell, 2007; Lewis and Ritchie, 2006; Denzin and Lincoln, 2000; Mason, 2002; Thornhill, 2007). The fulcrum of the diversity is also the main feature that distinguishes the numerous paradigms that emerged from various research assumptions over time one from the other; no paradigm, however, can be rated as superior to the other. Notwithstanding this, they all have a common goal of contributing to knowledge. Laughlin 2007:274 commented that –

> ''...there are multiple research approaches not one, and no one approach can claim
> to discover the truth – not even spurious or even 'properly conducted' science – and
> that all understanding is inevitably partial''

The primary goal of this research was to understand a human phenomenon in the form of the experience and perceptions of actors through the course of FT implementation in the

organisation. This investigation was conducted using an appropriate research paradigm. Paradigm is a representation of the way a researcher views the world. This is also in line with Patton's definition of paradigm as a worldview, a way of thinking and making sense of the complexities of the real world (Patton, 1990). Paradigm was also defined as, *"a basic set of beliefs that guide action. Paradigms deal with first principles, or ultimate belief. 'They are human constructions'* (Denzin and Lincoln, 2000).

Importantly, paradigms must be seen as deeply embedded in the human socialisation process and capable of differentiating what is important, legitimate, and reasonable. Paradigms are also normative, telling the practitioner what to do without the necessity of long existential or epistemological considerations. There are five basic philosophical assumptions guiding qualitative research (Creswell, 2007:16-19). These are ontology, epistemology, axiology, rhetoric and methodology. In order to gain a good understanding of these philosophical assumptions, this study reflected on the work of Burrell and Morgan (1979), because of the explanatory power it possesses on the subject.

### 4.1.1   Burrell and Morgan's (1979) framework

Burrell and Morgan (1979) expanded the research horizon by drawing the researcher's consciousness to the typology of paradigms for use in the study of social and organisational phenomenon. They made a clear assertion that any investigation of the social world is based on sets of assumption; including: assumptions about the nature of social science, human nature and the nature of society.

**Assumptions on Nature of Social Science**

Assumption about the nature of social sciences connotes the ontological, epistemological, human nature and methodological assumptions. Ontological assumptions are concerned with the nature of the reality of the phenomenon under study. Ontology refers to the nature of the world around us, in particular that slice of reality, which the scientist chooses to address (Goles and Hirschheim, 2000). The social world raises a number of debates in relation to ontology and it is concerned with beliefs about what there is to know in the world (Lewis and Ritchie, 2006:13).

Ontological assumptions in social science revolve around nominalism and realism. Realism suggests that social reality is external to individual consciousness, that is, it is a 'given', while nominalism is the direct opposite, and assumes that social reality is the product of individual

consciousness (Burrell and Morgan, 1979:4); reality is, therefore, a socially constructed interpretation of individuals.

Epistemological assumption takes its cue from the ontological assumption. This assumption is concerned with the nature of knowledge. Epistemology is the branch of philosophy that studies knowledge, it could also be referred to as the theory of knowledge, which concerns the principles, rules by which decisions are made, and how social phenomenon are known, and how knowledge can be demonstrated (Mason, 2002:13). There are different views on the nature of social reality that is ontology, leading to a division in perspective on the nature of knowledge about the social world. One of the aspects of the epistemological perspective is described as positivism.

Positivism proposes an objective view of the social world, and emphasizes the importance of studying the 'concrete relationships in an external social world, in search of an objective form of knowledge' (Morgan and Smircich, 1980: 493). The positivists believe that only phenomena that are observable can be counted as knowledge; and such knowledge is derived deductively from scientific theories, which must be tested empirically (Denzin and Lincoln, 2000:24). The positivistic approach is predominant found in natural sciences (Burrell and Morgan, 1979: 5), therefore, researchers in this line of study focus on empirical evidence and hypothesis testing, looking for fundamental laws and causal relationships (Goles and Hirschheim, 2000).

The other aspect of the epistemological position is anti-positivism. This proposes a different view of social reality. It suggests that the social world is essentially subjective and can only be understood from the perspectives of the individuals who are involved in activities that are subjected to the investigation (Burrell and Morgan, 1979:5). Anti-positivism focuses on the relativity attribute of knowledge, which prescribes that researchers must consider meanings and examine the fullness of the situation under study in order to arrive at an accurate conclusion.

The above depicts the assumption about the nature of social science, the other assumption emphasised by Burrell and Morgan is the assumption relating to Human Nature.

**Assumptions on Human Nature**

Assumptions relating to human nature gave an insight into the relationship between human beings and their environment. This is also viewed from two perspectives, which are determinism and voluntarism. The former proposes that human beings are conditioned by

their external environment, thus representing an objective view, indicating that human beings are a product of their environment, while the latter assumes a subjective perspective, which claims that human beings play a role in the creation of their environment, having a free will and autonomy or control over it (Burrell and Morgan, 1979: 6).

The three afore-mentioned assumptions (ontological, epistemological and human nature assumptions) have direct implications on methodological assumptions. The methodological perspective is divided into the ideographic and nomothetic approaches. Ideographic methods emphasise the need to understand subjective experiences, while nomothetic approach is the understanding and explanation of external objective reality (Burrell and Morgan, 1979:7). The nomothetic approach involves measuring constructs, quantitative based analysis and hypothesis testing, so that the level of involvement of the researcher in the experience of the research is totally absent. The ideographic perspective believes in the first-hand experience and participation of the researcher in the experience.
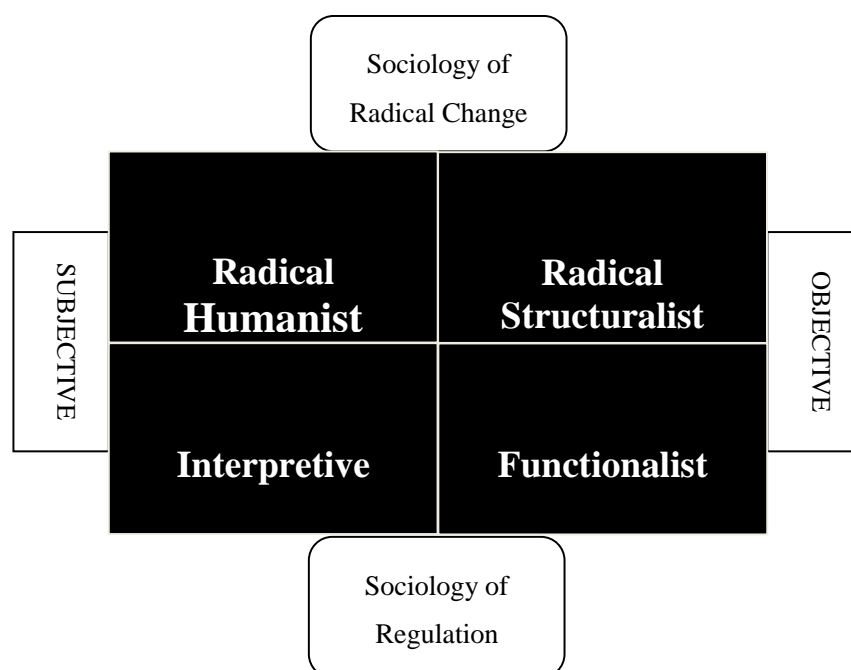


*Figure 1- Sociological Framework: (Burrell and Morgan, 1979:7)*

**Assumptions about the nature of society**

The assumption about the nature of society is concerned with whether society should be seen as an orderly, structured and independent setting, or as structurally in conflict and contradictions.

The Burrell and Morgan (1979) sociological framework, presents a vertical and horizontal perspective on the sociological framework. The structure is divided vertically (top-down) and horizontal (running from left to right). The vertical divide represents the nature of society, proposing that the society runs at extremes of regulation and radical change dimension. The horizontal continuum represents the nature of social sciences, indicating that social science involve the objective and subjective dimensions. Each level of the continuum explains research assumption along the lines of the ontology, epistemology, human nature and methodology view. The combined vertical-horizontal divisions composed of four different research paradigms for the social sciences, namely the functionalist, the interpretive, the radical humanist, and the radical structuralist, as shown in the Figure one above.

On the objectivistic side of the Burrell and Morgan (1979) four paradigm matrix, are the functionalist and radical structuralist paradigms. The functionalist paradigm proposes an objectivistic view of a study phenomenon and assumes that society is orderly and cohesive, hence, it requires no change. This paradigm is also concerned with providing explanations of the status quo, social order, social integration, consensus, and rational choices (Goles and Hirschheim, 2000). This is illustrated by how individual relates or interact in a social system to form a whole unit. The radical structuralist paradigm takes an objectivistic perspective and assumes that society is characterized by structural differences and conflicts that represent potential for a radical change. It emphasises the need to overcome the shortcomings or limitations observed in the organisation or society. Its primary focus is on structure and economic relationships.

On the subjective side of the matrix are the interpretive and radical humanist paradigms. Both the interpretive and radical humanist approaches emphasize subjectivism, that is, they stress explanations within the realm of individual consciousness and subjective experience in research. The main difference between the two is that the former assumes that society is cohesive and need not be changed, whereas the latter seeks for change.

The Burrell and Morgan (1979) framework suggests that these paradigms are mutually exclusive, though the assumptions that distinguish the four approaches allow for the existence of variations within each paradigm.

This framework has been criticised by several authors (Chua, 1986; Shultz and hatch, 1996), particularly with respect to the use of a strict, mutually exclusive dichotomy criteria. The first criticism was against the distinction accorded to the radical humanist and the radical

structuralist paradigms without any clear justification, and second was the assumption that its implication of truth as a concept is relative. Notwithstanding these criticisms, Burrell and Morgan (1979), framework has been very helpful in focussing the mind of researchers to consider various research assumptions available in the study of any activity.

### 4.1.2   Arguments for choosing the interpretive paradigm

In the formulation of an approach for this research, considerations were given to the various choices of methodology, through a better understanding of each research paradigm and comparison of one against the other, with a view to arrive at the most appropriate choice. Much reliance was placed on the work of Burrell and Morgan (1979) and Laughlin (1995), the first helpful assumption was the advance knowledge that interpretative accounting research relies on the commonality of experience amongst the case subjects and that the use of multiple methods could build a trustworthy picture of the phenomenon being studied. The interpretive research paradigm attempts to describe, understand and interpret the meaning that human actors apply to symbols, and the structures of the setting in which they find themselves (Baker and Bettner, 1997). This is true of accounting, which is not a natural phenomenon and, therefore, can be changed or modified by those social actors relating to it (Ryan et al., 2002). The interpretive paradigm focussed on how numbers in accounting are used to interpret processes, actions and relationships within an accounting environment, with the aim of understanding the everyday situation and practices, which are subjective by nature.

The assumptions of the mainstream or functionalist accounting research paradigm (See figure two below) is not deemed to be adequately useful for this research, as it assumes an objective social world and deterministic human behaviour, and, hence, employs a quantitative research approach (Ryan et al., 2002). Its main aim is to generalise and then predict a cause and effect relationships in research, which does not align with the research aim of this study. In accordance with Chua (1986: 611), the main assumptions of mainstream accounting research include the notions that reality is objective and external to the subject; human beings are also seen as passive objects, and also as rational actors who pursue their goal. The theory is seen as independent of the observations, which may be used in verification or falsification of the theory, and it also assumed that quantitative data allows for generalization.

It follows, that only measurable and observable phenomena are considered as knowledge in this paradigm. This is sharply in contrast with the interpretive approach, which considers the context and commonality of experience of the case subjects. Thus interpretive understanding

posits that people's individual and collective thinking and actions have a meaning, which can be made intelligible (Minichiello, Aroni, Timewell, and Alexander, 1995). The interpretive approach has an overriding aim of explaining the behaviours of people in terms of the meaning they attach to it. Although the interpretive research paradigm agrees with the positivist assumption that the goal of any research is to describe and explain reality without a value bias, it rejects the positivistic approach or viewpoint about the possibility of creating generic laws (Bain, 1989).
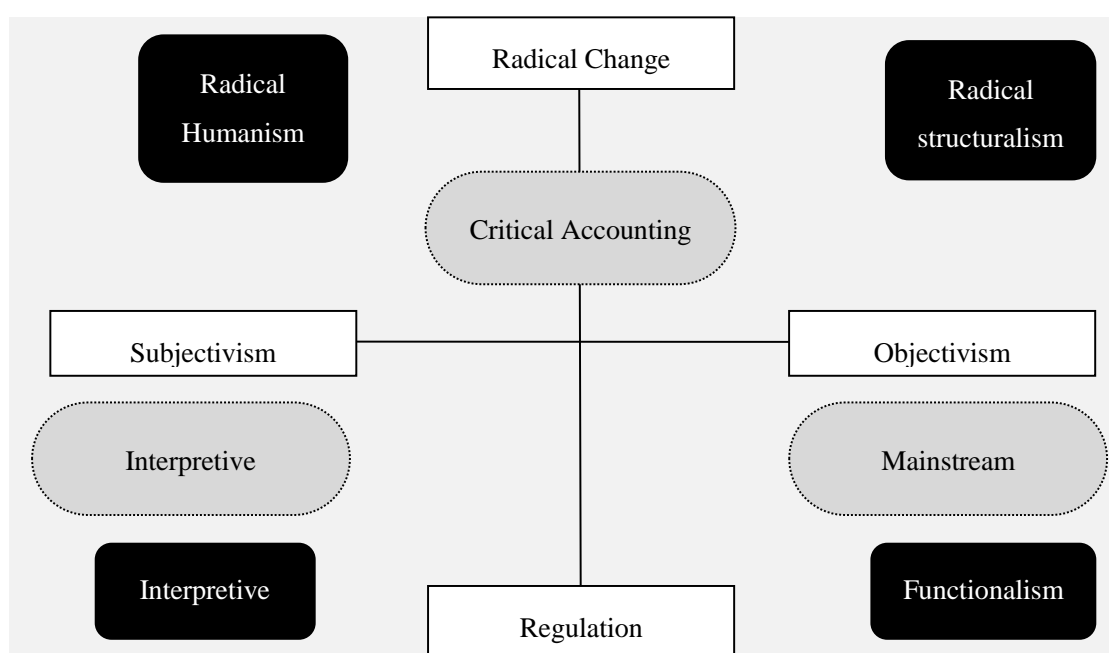


*Figure 2- - Ryan et al (2007:43) Categories of Accounting*

In interpretive research, action must be studied in a wider frame. It has a pre-conceived assumption that any interpretation of study is limited by the interpreter's ability and their understanding of the phenomenon being studied, and therefore, it cannot be generalised as a representative reality. As a result, this research focused on the perceptions, opinions, and practices of individual organisations within their social contexts and assigned these views with an underpinning meaning.

The interpretive approach was also compared with the critical accounting research approach, which offers a basis for social critique and/or promotes forms of radical change (Ryan et al., 2002, 2007). The critical accounting approach is usually used to describe the role played by accounting within the social context of the society. It assumes that accounting is a phenomenon that should be examined by taking into consideration prevailing social, economic and political conditions (Chua, 1986; Laughlin, 1999).

Laughlin (1999) defines critical accounting as: *"A critical understanding of the role of accounting process and practices and the accounting profession in the functioning of society and organisations with an intention to use that understanding to engage (where appropriate) in changing these processes, practices and the profession"* (p.73)

On the basis of similarity with the interpretive paradigm, critical accounting emphasizes the need to focus on the interpretations of actors' actions and behaviours in the same way as the interpretive. However, it emphasizes less on the technicalities of accounting practices, whilst being very active in self-reflection on the grounds of observation to offer a plausible explanation (Hoque, 2002). The main disagreement between the Interpretive and Critical approaches is the willingness of a Critical researcher to take a declared position regarding the nature and purpose of the research and its political and societal implications, whereas interpretive research approach prescribes taking a 'neutral 'stance (Baker and Bettner, 1997).

In the choice of a methodology, it is very important to focus on the best means for gaining knowledge about the world (Denzin and Lincoln, 2000:157). Schultz (1962) identified the most serious question, which bothers methodology in social science, the question is predicated on the possibility of a researcher to form an objective concepts and an objective verifiable theory of subjective meaning. The Interpretive paradigm with its array of assumption proffers an answer to this dilemma for this study, hence, the choice of an interpretive approach for this study.

### 4.1.3 Choice of a methodology

As noted above, some writers have left the decision for the choice of a methodology to a matter of simple selection; others have taken a different view, this study proposes that the choice of methodology must be directly influenced by the research questions and research focus preferences (Strauss and Corbin, 1998; Ryan et al., 2002; Laughlin, 2004). Hence, the choice of a research approach was not taken lightly in this study, as this choice has a towering influence on pivotal stages of the research process. Baker and Bettner (1997) argued that it is important for the researcher's perspective to be made clear in order to make it easy for readers to understand and appreciate the context in which the research was approached.

The choice of an interpretive perspective in this research was influenced by the nature of the phenomenon under investigation (Leonard-Barton, 1990), especially when viewed from the perspectives of the ontological, epistemological and axiological arguments. The fundamental belief of the interpretive approach lies in its ability to use causal language to describe the

world. Within this argument, it was also noted that all fields of research have taken one position or the other about the nature of the world, either knowingly or unknowingly. In arriving at this choice, three main factors were considered. The first aspect was linked to the nature of the phenomenon under investigation. The interpretive paradigm has the potential to generate fresh understandings within the facets of a complex and multidimensional human system, such as those witnessed in this study. Suggestion from prior research also supported the fact that concepts of accountability are quite subjective, and applied with different meanings and interpretations (Sinclair, 1995; Edwards, 2002; Solomon and Solomon, 2004). Therefore, an interpretive assumption provided an appropriate research strategy for studying such a complex phenomenon as the FT status (Locke, 2001).

The second element was linked to the fact that several empirical accounting studies on accountability and governance in the public sector highlighted the importance of studying the phenomenon in practice, strictly from the perspectives of the actors, with emphasis on relativist ontology. This enhances knowledge and captures the context of investigation (Bourmistrov and Mellemvik, 2002; Everett, 2003). This research sought to understand practical knowledge, which is embedded in the world of meanings and diverse interaction. These meanings are constructed inter-subjectively through the understanding developed socially and experientially by the actors. Therefore, it was most appropriate to adopt the interpretive paradigm.

Lastly, the researcher's view was also based on this paradigm, which stresses the subjectivity of the research, referred to as the subjectivist epistemology. This highlights the impossibility of separating the researcher from what they know about the world being researched. In conducting this research, the researcher was part of the phenomenon under investigation. In interpretive accounting research, there is an assumption that 'social reality is emergent, subjectively created and objectified through human interaction, and that the role of a theory is to explain human actions in a society, which is deemed to be stable, where any existing conflicts are being resolved through shared meanings' (Chua, 1986: 615).

The interpretive approach in itself can be expressed in five major areas: symbolic interactionism, phenomenology, realism, hermeneutics and naturalistic inquiry. For the purpose of this research the focus was on phenomenology. Phenomenology was chosen as the most suitable methodology for this research, because it asserts that any attempt to understand social reality must be rooted in the experience of the people influenced by that social reality. It follows, that any residual knowledge must be put aside in favour of the immediate

experience of the actors under the influence in order to ascertain or develop new meanings from the FT event.

## 4.2    Putting the Research Question into phenomenological research

The purpose of using the phenomenology approach in this study was to develop a rich description of the subject. This required a clear definition of the object of analysis ahead of the research process, so as to benefit from the rich meaning drawn from the use of tools found in phenomenology on the research subject. The social structure in this study wholly relates to the National Health Service in England, which is characterised by a centralised control structure, being led by the Secretary of State and other regulatory agencies, namely the Department of Health (DOH), Trust Development Authority (TDA), Care Quality Commission (CQC), and the Audit Commission. At the service delivery end were the Clinical Commissioning Groups (CCGs) as commissioners of healthcare services for their local population and the secondary care units, which comprised the Acute, Mental Health, Ambulance and Community trusts. The secondary care facet is responsible for the delivery of care; where they deal with the users of health care services - actual customers. The FT phenomenon was a process triggered by certain events or conditions, which eventually result in the licensing or deferral of a trust to become a Foundation Hospital. The licensing itself, also called 'authorisation', was the main outcome of the whole process.
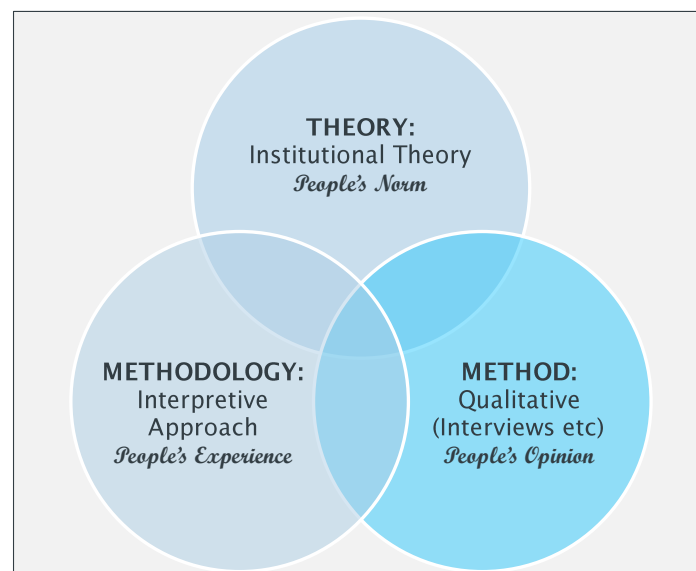


*Figure 3- Research Process Integration*

The use of phenomenology in research concentrates on lived experience, and this is very relevant in investigating an individual's perceptions of events. However, the focal point of

phenomenology is with pre-reflective experiences and feelings (the core or essence of a phenomenon), and in this research the main focus was to identify the effect of FT status within the NHS, and to show the behavioural traits exhibited by organisations undergoing change. Therefore, the study delved into the process of FT implementation up to the point where the trust achieved authorisation.

In alignment with the research methodology, the data analysis protocol was developed from phenomenological principles by following guidelines and processes that supported systematic analysis. It is generally accepted that the choice of data analysis method must be guided by the methodological stance adopted for the piece of research and its underlying epistemological assumptions. On the other hand, the adoption of analytical methods is linked to specific methodologies, and therefore, how they are used differs from one to the other. In this study, the template analysis technique was used to interpret and create an understanding of the data.

The research process was designed around the actors and the events within the NHS organisations used in this study. These actors have taken part in the various aspects of FT reform implementation within their organisations and therefore are in a good position to give an account of the process. The study relies heavily on these actors' account of their FT experience. Through these account, a rich data is gathered, as a foundation for this study as depicted in Figure three above. The diagram shows the connection between the adopted theory, the methodology and, ultimately, the method used in this research.

Through the process of abstraction, the research unravelled how the FT reform unfolded in the organisations by searching for 'underlying logics' and 'deeper structures' (Pettigrew, 1990) that facilitated the change, by focusing on the multiple and interconnected levels of analysis and how they interacted between context and action. In this empirical work, the macro level analysis was linked to the micro level to explain change over time in terms of interaction between individual actions and structural differences (Edwards, 2000) with the use of institutional theory.

In order to address the research questions raised in this study, the FT application process was divided into a number of segments, with the view to studying the pre-implementation period of the concept, along with the various documents from major stakeholders, taking particular notice of the language or rhetoric of the government and the staff unions, amongst others.

This was tracked through various textual artefacts (Journals, memo, presentation and policy documents).

The second part of this work examined the evidence of cases, where power was exercised to trigger events implied in the FT process. This involved examining the experiences from members of the NHS organisations. The purpose of this approach was to gain an understanding of how participants engaged and mobilised themselves in the framework in order to facilitate the licensing of their organisation. More pronounced was the action of key individuals driving the process as agents of change, cutting through the social, cultural and structural contexts of the organisation to bring about a new phenomenon – a FT Hospital. Therefore, the study closely observed the shifts in understanding and meanings given by the members of the organisations and their associations with the new concept.

Through the accumulation of this evidence, a logical test was applied to eliminate most of the items or powers activated, which were definitely not as a result of FT adoption. The residual data was then critically assessed for evidence of mechanisms that resulted directly from the action of the FT implementation activities. Evidence gathered included memos, training manuals, flyers, policy papers, board reports and presentations, in addition to the face to face interviews held with key staff.

## 4.3    Research Design and Strategy

The research plan followed a logical structure from the outset; this was to protect the researcher from the frequent pitfalls that accompany weak and unconvincing conclusions, and the risk of failing to answer the research questions (Yin, 2003). Research design is the logical sequence that connects the empirical data to a study's initial questions, and ultimately, to its conclusion (Yin, 2003:20). In their contribution, Lewis and Richie (2006:47) suggested that, research design composes of a clearly defined purpose, in which there is coherence between the research questions and the methods or approaches proposed to generate valid and reliable data.

A clear layout of the research plan was defined at an early stage of the process, in order to ensure that an appropriate strategy was chosen for the study, ensuring that the method of gathering data is well informed by the methodology adopted. The concept of the methodological strategy was clearly distinguished from the method, even though a choice of method was part of the strategy. Method was generally defined as a component in a range of different methodological strategies - it is not a strategy in itself (Mason, 2002:30-32). To put

it more succinctly, methodological strategy is the logic, which underpins the way to design a research project, ensuring that it gives appropriate answers to the research questions, as well as the day-to-day decisions about most, if not all aspects of a study. The strategy of inquiry comprises a bundle of skills, assumptions, and practices that the researcher employs as he or she moves from the paradigm to the empirical world (Denzin and Lincoln, 2000:22). The strategy of inquiry puts paradigms of interpretation into motion. However, (Yin, 2003:5) cautioned every researcher to be careful in the way they plan their research; even though each strategy has its distinctive characteristics, there are large overlaps amongst them. The goal is to avoid "misfit" when planning to use one type of strategy, when another is really more advantageous.
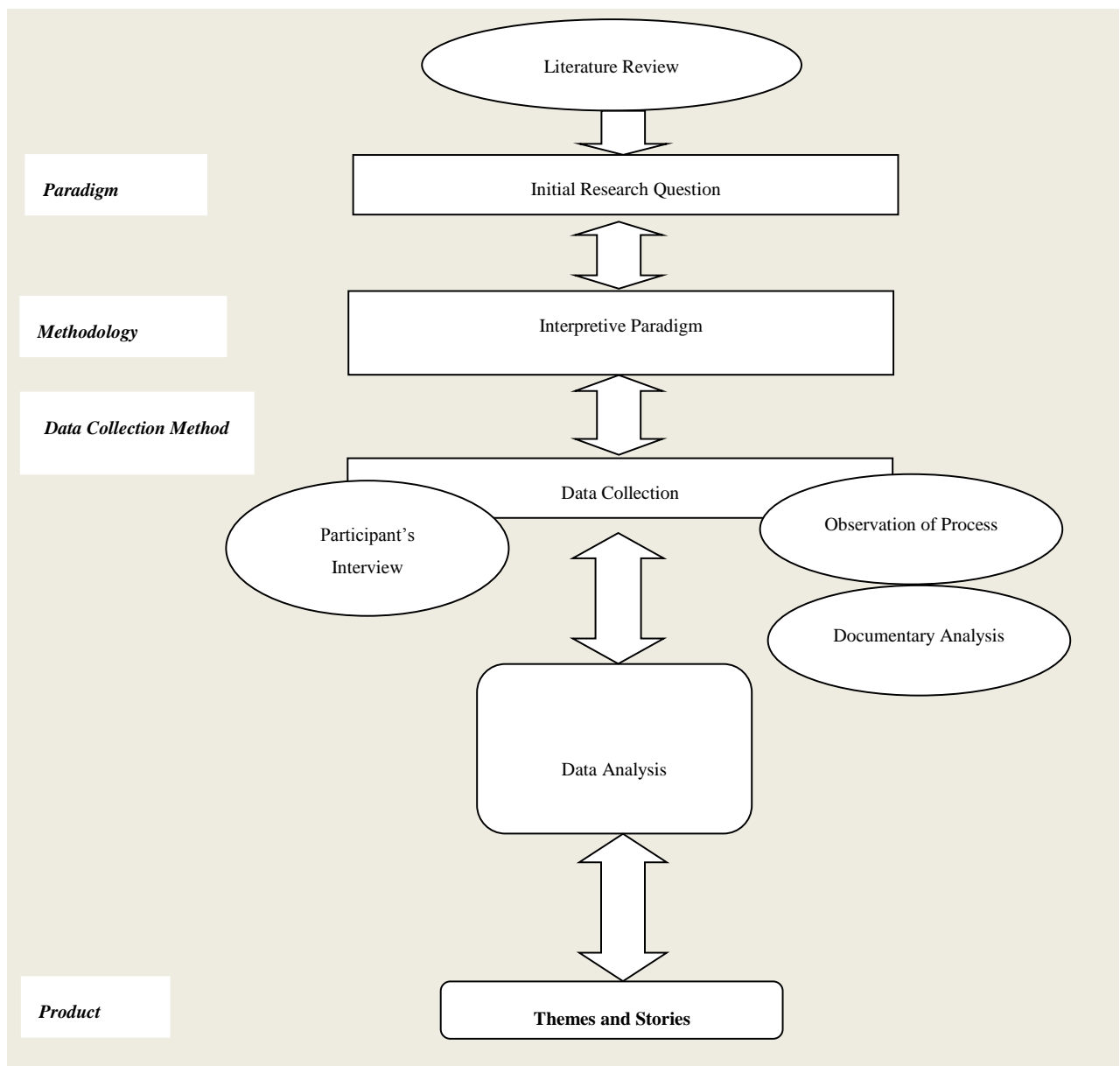


*Figure 4*- *Research Process for the study*

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In line with the interpretive epistemological position, this study adopted an intensive research strategy. Sayer (1992, 2000) advocated this type of approach when seeking to generate deeper meanings. An intensive research design emphasises causal explanation of the production of particular phenomenon in specific cases. An intensive case investigation approach has been used in a number of complex organisational developments (Harrison and Easton, 2002).

In this particular research, the case-study approach was chosen to explore the research in an in-depth manner, because the case study strategy has the potential of producing a richer and more meaningful data, it has a better insight into the phenomenon under study. Case research has been defined as a research method that involves investigating one or a small number of social entities or situations, about which data is collected using multiple sources of data and developing a holistic description through an iterative research process (Easton, 2009).

The case study approach has a distinct advantage when a "how" or "why" question is being asked about a contemporary set of events over which the investigator has little or no control (Yin, 2003: 9). Eisenhardt (1989: 548-9), argues that, "case studies are particularly well suited to new research areas for which existing theory seems inadequate". The primary reason for the suitability of a case study approach in this research was because the study was undertaken within the actor's social context. Case study research is known to be fully compatible with the study of a phenomenon explored through one or more cases within a bounded system (i.e., a setting, a context) (Creswell, 2007:73)

### 4.3.1    Exploratory Versus Explanatory Research

There are different types of Case studies. Yin (2003) highlighted the differences among three specific types of case studies, namely, the descriptive case studies, the explanatory case studies and the exploratory case studies, The Descriptive case study portrays an accurate profile of persons, events or situations (Robson, 2002; 59). The explanatory case study establishes causal relationships between variables. Lastly, the exploratory case study is a valuable means of investigating what is happening, to seek new insights, to ask questions and to assess the phenomenon in a new way. It is useful for clarifying or understanding a problem, and it is also very flexible and adaptable to change (Robson, 2002:29), hence, it was found relevant as the starting point for this study.

Exploratory research could be explained as the first step to understanding a phenomenon. It is conducted to provide a provisional understanding of a research problem, and should be used

as an input for further research (Malhotra, 1999). On the other hand, Explanatory research aims to provide evidence of cause and effect relationships (Aaker et al., 2001). Typically, the researcher manipulates the independent variables of interest, while controlling the influence of other variables (Davis and Cosenza, 1993). This study aimed to start from an exploratory phase, to gain a provisional understanding, and then proceed to the explanatory stage, which became the extensive aspect of the research.

The exploratory phase of this research covered the literature review, from which an understanding of accounting in the public sector was gained. The scope of the study was then refined to accounting in the National Health Service, which further dove-tailed into the changes witnessed through the various regimes in the NHS. At this phase, initial unstructured interviews were held with experienced members of the organisations, in order to assess this area of knowledge and the most relevant or implicated area for this research. The explanatory phase of this research resumed with the full engagement of the nominated NHS organisations, where interviews were conducted, documents gathered and meetings observed.

### 4.3.2   Case Study Design

Consideration whether to extend the study beyond a single case study was made at the early stage of this research. (Yin, 2003:19) identifies four major types of case study design, formulated into a 2x2 matrix.

- Single case

- Multiple case designs

- Holistic

- Embedded designs

The multiple case study approach was found useful in this study to seek an understanding of the FT concept in three (3) NHS organisations. The nominated organisations differed from the other, in that the first organisation was a trust in the pipeline of FT authorisation. It was an organisation that was going through the Monitor's assessment process to become an FT Hospital, while the other two were already licensed as FT hospitals. 55 members of staff across the three organisations were interviewed for this study. Notably, these organisations were classified as public sector organisations, there were subtle differences in the way they operated, especially in their financial and environmental contexts, this further described in 4.3.4. The output from the use of multiple case studies is usually known to be compelling and

robust to support the assertions produced from the study (Yin, 2003, Creswell, 2007). A multiple case study has also been referred to as a collective case study, when a researcher studies a number of cases jointly in order to understand a phenomenon, population, or general condition (Stake, 1995: 3-4).

The choice of multiple cases in this research was to ensure the validity and generalizability of the results. This choice was tilted in the way of a multiple case study, firstly, because it is more likely to produce a direct replication of the event and also provide a better analytical conclusion, which is likely to be more convincing than those coming from a single case study. Secondly, where a common conclusion is presented, the contexts of multiple case study is likely to differ to some extent from single case, this would also no doubt immeasurably expand the external generalisability of the research findings. Lastly, multiple case studies often present contrasting situations that do not seek any direct replication (Yin, 2003; 53).

### 4.3.3 Sample Selection

This case study research did not simply follow random selection; also the process of identifying sampling entities was not taken for granted as some studies give less attention to this aspect (Sayer, 2000). A major consideration in this multiple study was to determine what was considered necessary and adequate for the research issues. Given the irrelevance of sampling logic, the typical criteria regarding sample size were not applicable.

Most researchers have concluded that the sampling selection for case study research must be purposive (Creswell, 2007; Lewis and Richie, 2006; Denzin and Lincoln, 2000; Mason, 2002; Patton, 2000; Stake, 1995; Thornhill et al., 2007). Purposive sampling in qualitative research simply means that the inquirer's motivation for selecting individuals and case sites for a study is based on the conviction that those selections are relevant and resolutely capable of producing answers to the research problem, as well as the central phenomenon of the study (Creswell, 2007: 125).

The logic and power of purposive sampling is in its ability to select information-rich cases for an in-depth study (Denzin and Lincoln, 2000; Patton, 2002: 230). Information-rich cases represent those data from which the researcher can learn a great deal about issues of central importance to the research's subject of inquiry. Studying information-rich cases gives superior insights and in-depth understanding than empirical generalisations. Purposeful

sampling in this study focused on selecting information-rich cases that is capable of illuminating the questions under review.

In order to achieve this selection, this study divided England into three geographical zones, from where three organisations (one Non-FT and two FT hospitals) were nominated to participate in the research. The choice of organisations selected was informed by a number of criteria. Firstly, was the geographical location of the hospitals, and this was designed to cover Northern England, London and Southern England. The second criteria, which is relevant to the FT hospital choice was that it must have operated as an FT organisation for a minimum of three years; this was only a logical assumption that within this period of operation, the FT change would have been embedded in the organisation's form and also the interviewees from those organisations would have acquainted themselves with the changes in the hospital's operation and process.

In total, 55 people working within the chosen organisations were interviewed, drawn from both the medical and non-medical divisions, and representing all strata of staff, top, middle and bottom level staff (See the Table 2 below). The choice of sample gave preference to members of staff that were responsible for the FT implementation process within these organisations. It must be noted that most NHS organisations are structured in such a way that finance staff are represented in all the divisions of the hospital. Some organisations refers to these finance representatives as the Divisional Finance Managers, and this set of staff were particularly useful in reflecting the effect of FT on individual divisions.

The choice of research method in this study was informed by the theoretical assumptions (assumption about the nature of reality or the ontology). This is to ensure that the methodological tool adopted was the most appropriate for investigating the FT phenomenon. Using a qualitative method was particularly useful for gathering data at different levels of sociological description. This study, being a qualitative research, easily related to the crux of the issues at a macro-societal level, and the choice proved most advantageous, given its potency to unveil the embedded social micro-processes, which sheds light on and better understanding of the research.

### 4.3.4 Description of Case Study Organisations

Before discussing the research methods adopted, it may be useful to briefly outline key aspects of each case study organisation that participated in this study. The non-foundation trust (captioned as Non-FT 'A') is a large acute trust based in the northern part of England, in

view of its location; it enjoys the monopoly of the market around its areas as a lone provider of the major care services required within the local health economy. The trust had undergone a series of change programmes to get through its financial challenges for a period of three years, with the intervention of its Strategic Health Authority from time to time. The trust has a huge financial commitment under a Private Finance Initiative scheme which is set to run for about 40 years. The board and staff of the trust had undergone a significant personnel shake up, which was still on-going at the time of this research; this included a re-organisation of divisions and reporting line management. The perception of staff to the FT innovation was quite passive and aloof.

The foundation trust (Captioned as FT 'B') is a three star rated NHS trust prior to achieving the FT status. The trust was also part of the first wave organisations, licensed to become FT. The trust is located in central London with a very large area of operation. This organisation is a major operator in the NHS, whose board benefits from high-ranking practitioners in the sector. At the strategic level, senior managers (executive directors) and members of the non executive board are influential in the healthcare system. The trust had developed a sophisticated organizational structure based on a clinical staff led model, which support its strategy, in respect to pioneering major service developments of renown capacity in the healthcare sector. This organisation operates from recently built, high rise buildings within the London city. Members of Staff were attracted from the young, professionals and sophisticated working class. The working environment is similar to that of high profile private sector organisations, this includes the medical divisions.

The third case study is another foundation trust (Captioned as FT 'C'). The trust was part of the later wave of FTs licensed after about five years after the introduction of the FT reform. FT (C) operates from multiple locations in the South East of England. Organisational activity has been stable over the years; the trust operated a flat management structure which was changed after its authorisation to align with the Monitor organisational template. Members of the board and staff were generally forward looking and of a reasonable profile. Operating from multiple locations enabled the trust to spread its services to a wide area within south England. Achieving FT status for this organisation witnessed a number of organisational and business re-engineering, which includes, staff redundancies, merger of sites and new appointments at board level.

### 4.3.5   Research Methods

**Interview**

One of the techniques adopted to obtain data was by a face-to-face interview method. This interview method was found to be an effective method of enquiry as it facilitates the derivation of knowledge from interviewees. Three types of interview approaches were considered. Firstly the structured interview, which is a purposeful conversation in which prepared questions are asked and the other person answers those questions (Frey and Oishi, 1995), they are not usually flexible, so the respondent is limited to a particular set of answers and perhaps forced to give an opinion. Secondly, the semi structured interview - where the interviewer guides the flow of the interview, highlighting the topic to be covered, in order to focus the respondent on the process, while the interviewer focuses on the respondent's subjective experiences. Usually the researcher relies on a list of questions, which must be handy to the researcher at the interview (Gubrium and Holstein, 2002). Lastly, is the unstructured interview, which is basically an informal interview, without any structure to it.

In this study, the unstructured interview was particularly useful for the preliminary data gathered earlier in this study to test what type of responses may be elicited by the question and other issues covered by it (Seidman, 1998). The list of questions asked in this study is shown in Appendix (I). This list was a guide to the interviewer and a few other questions were added to the list as the interview process progresses.

In the main interview process, a semi structured interview was used for the gathering of the primary data. Successive interviews in the main study brought more themes to the research question pile, which were incorporated into subsequent interviews. At different points during the interview process, some themes reached a convincing saturation point, where respondents gave the same explanation of particular issues. As some other themes evolved, the interview became more focused in the later stages, as the interviewer was able to touch on particular issues that had been raised in preceding interviews (Dick, 1990). This method of interview was found useful for data analysis, and it also help the interviewer in deciding when to terminate data collection by interview, usually after identifying the point of saturation. A saturation point is that stage where all participants gave the same answers to the questions and the interview was not producing any new answers.

The researcher used each interview to gather the required information from respondents and also to explain the data results in the analysis (Carson et al., 2001; Nair and Riege, 1995).

From the fifty five actors that were interviewed across the three organisations, the first batch of interviews had 42 participants, after which the questions arrived a saturation point.

The interviews were analysed to produce the preliminary findings, after which the second batch of interview was undertaken with 13 more participants. Field notes were also completed immediately after each interview, to capture all the relevant aspects of the social process (Babbie, 1989). The notes made in the field journal reported observations that included physical settings, interviewee's reaction and body language, periods of extended silence, and sensitive issues that were discussed without being taped. Reflections on the outcomes of the interview were also recorded.

The table below shows the list of staff interviewed in the entire process and their ranks in the three organisations – A, B and C.

| Interviewee's Profile | Non –FT (A) | FT (B) | FT (C) | Total |
|---|---|---|---|---|
| Chief Executive | 1 | 1 | 1 | 3 |
| Dir of Finance | 1 | 0 | 1 | 2 |
| Chief Nurse | 1 | 1 | 1 | 3 |
| Dir Human Resources | 1 | 1 | 1 | 3 |
| Medical Director | 1 | 1 | 1 | 3 |
| Dir Strategy/Planning | 1 | 0 | 0 | 1 |
| Dir of FT | 1 | 0 | 0 | 1 |
| Clinical Dir | 2 | 1 | 2 | 5 |
| Directorate Managers | 2 | 1 | 3 | 6 |
| Div Finance Managers | 4 | 1 | 4 | 9 |
| Dep Dir of Finance | 3 | 1 | 1 | 5 |
| Treasury Manager | 0 | 1 | 1 | 2 |
| Head of Creditor | 1 | 0 | 0 | 1 |
| Financial Accountant | 1 | 1 | 1 | 3 |
| Payment Officer | 2 | 1 | 1 | 4 |
| Management Accountants | 2 | 1 | 1 | 4 |
| **Total Number of Interviews** | **24** | **12** | **19** | **55** |

*Table 2- **Summary of Interviewees from various research sites***

**Document Analysis**

Document analysis and field notes of impressions were collected in the course of data gathering. Document analysis involved a trawl through the various monthly and quarterly

financial reports considered by the board executives for a period of about three years. Documents analysed included the strategic project files showing various management of change programmes, public consultation documentation, where the public gave leave for the organisation to become a FT hospital and, finally, the various versions of the trust's Long Term Financial Model (Four Versions) with various back up documents such as Outline Business Cases (OBC) for various services, including the Private Finance Initiative (PFI) project.

**Researcher's Observation**

The researcher's observation in the course of the fieldwork provided an understanding of participants' context and their interaction. The researcher also obtained information that could not be gathered through interviews or from the analysis of documents (Patton, 2002). In drafting up an observation strategy, four approaches were considered, including participant-as-observer, complete participant, complete observer and observer-as-participant (Gill and Johnson, 2006). Because the researcher was part of the non-FT organisation for a period of 20 months, the observer as participant strategy was found appropriate. This involved taking records as an active observer of the relevant activities, events, actions and behaviours, as well as taking note of the meanings of the observations from the perspectives of the participants (Patton, 2002). Casual interaction with members of staff connoted active observation in various departments of the organisations. Formal observations were also made through attendance of meetings.

Formal observations in meetings provided useful and reliable information, often putting into context the environmental attributes of that particular trust. Most of the meetings were attended by other members of staff in the organisation, and the researcher simply appeared along with other participants (McKinnon, 1988). All important issues, events, views and activities observed were recorded immediately after each meeting. The information gathered from observations was used to review the interview questions, with a view to extracting deeper meanings from the participants, and these were also taken into account during the data analysis from the perspectives of the participants (Patton, 2002).

In addition to the data from interviews, the use of memos was engaged during the interview. Memos are defined as "the researcher's record of analysis, thoughts, interpretation, questions and directions for further data collection" (Strauss et al., 1998:110). Similarly, throughout the data coding, memos were made to sketch and note ideas, reflections, and concepts in parallel

with the data collection. The same routine was repeated during the free coding of the interview transcripts. The reflection focused on the radical expressions, sharp differences in interpretation of action and formulation used by interviewees, which were later interpreted during the analysis. Using the memo data immersed in the relevant interview data created a clearer interviewee's perspective.

## 4.4    Data analysis

A qualitative approach of data analysis was adopted using a template analysis method, which was similar to the Crabtree and Miller (1999) perspective, where templates were defined before commencing an in-depth analysis of the data , followed by a thematic synthesis, as informed by previous studies (Edwards and Titchen, 2003; Titchen, 2000; Titchen and McIntyre, 1993). This method allowed for systematic identification of the participants' interpretations and constructs (first order construct), which were then layered with the researchers understanding, which was called the second order construct.

The synthesis of data was done in three stages, which overlapped in some respects. Using the free code functionality in Nvivo 9, the routine started with a line by line extraction of findings from the primary study, leading to the organisation of the 'free' codes into related classes to construct descriptive themes and then the development of analytical themes.

### 4.4.1    Template Analysis

The Template approach is tremendously useful for the analysis of textual data from most methodological and epistemological positions. 'Template analysis' refers to a specific way of thematically analysing qualitative data. The data type is usually interview transcripts; this may also be generalised to a wide range of textual data, which includes diary entries, electronic texts, e-mails or open-ended question responses on a written questionnaire (King, 1998).

The process of Template analysis involved the development of a coding "template", which summarises themes that are identified by a researcher as relevant to the data set under consideration (King, 2004). These themes were organised in a meaningful hierarchical coding structure at the start, which resulted in identification of broad themes, which, through successive coding and rearrangement into constructs, became narrow and more specific.

Template analysis guidelines were made clearer in the work of Crabtree and Miller (1999), which suggests an overview of the five main steps of the 'dance of interpretation'. The steps

identified in the analysis process are describing, organising, connecting, corroborating/legitimating, and representing the account. In the data analysis routine, a template approach is often preceded by the identification of codes, which are devised a priori, whether from previous studies or from theoretical perspectives. These a priori codes are themes that are strongly expected to be relevant to the analysis. In the course of analysis, codes may be changed, deleted or modified, where they are found unsuitable or irrelevant to the research subject. The moment any of the a priori themes are defined, then the researcher must begin to read through the data, identifying areas of the data that appear to be relevant to the research subject.

In this study, an a priori template was developed from the combination of the research question and Institutional theory. When the pre-defined codes were identified, the actual transcription of the data resumed. In most of the interview transcripts, the first reading was usually to gain an understanding, while subsequent readings were to classify the data. In some cases transcripts were read over three times, as the researcher matched the site observations and various interviewees' remarks into a meaningful perspective. This type of data analysis is described as a microscopic (sentence-by-sentence) examination of each interview (Strauss et al., 1990).

The data analysis process was simplified with the use of the Nvivo computer-aided data analysis tool. The software was used to store all interview transcripts in their verbatim form and when coded to the defined a priori codes; the application also held the data in its thematic form. The researcher had the opportunity to revisit each transcript linked to the codes to ensure that there was no systematic distortion to the interpretation of the interviews and that there were no deviations from the predefined theme. This check was repeated at the end of the first and second constructs of the analysis.

### 4.4.2 Thematic synthesis

Following the use of the template, there was continual interpretation of the research text and the FT phenomenon. This process is known as 'Thematic Synthesis'. The process involves identification of themes through a process of "careful reading and re-reading of the data" (Rice and Ezzy, 1999: 258). Through the combing of data, pattern recognition was drawn within the data, which formed the basis of the emerging themes, which became the categories for analysis.

The analysis of data involved the assignment of concepts and themes to the data gathered. A concept is defined as an "abstract representation of an event, object, or action/interaction that a researcher identifies as being significant in the data" (Strauss et al., 1998: 103). Thematic synthesis was broken into five stages in this research, as explained below -

**Stage one: Immersion in Data – Organising the texts**

The process of immersion was generally the organisation of the texts gathered from each participant through interview transcripts, field notes and observation of body language and gestures. The majority of the transcripts were recorded, and the researcher engaged in repeatedly listening to the audio recordings and reading through each of the transcripts in order to become familiar with the text sets. Through the preliminary interpretation of the texts, codes were classified. Various field notes written during the observation and interaction with the participants were used to facilitate the recreation of the context in which statements were made, relating to specific issues within the research. This process is known as immersion in the data (Van Manen, 1997)

The researcher at this point was engaged with the reading and re-reading of every interview transcript, and some case references being made to the original recording, so that individual interviews were well understood by the researcher. From the combination of transcripts, field notes and other memos, each interview transcript was classified and similar transcripts were collated.

**Stage two: Identifying first order constructs**

The microscopic examination was the first step in the free coding process used to create initial codes for comparisons. During the free coding - "data was broken down into discrete parts, closely examined, and compared for similarities and differences" (Strauss et al., 1998:102). The use of line by line coding enhanced the systematic translation of concept in this study (Fisher et al., 2006). This is often referred to as one of the key tasks in the synthesis of qualitative research. The iterative process of data collection, coding and analysis gave new insights to the research, thus tremendously assisting the formulation of new questions for subsequent interviews and easily indicating the most appropriate informants.

During the reading, segments of the data that correspond to the a priori themes were coded. Where there was no a priori codes coverage for a relevant data code, new themes were defined to represent the code and these were organised in the initial template. The series of interviews were coded into the initial template, until the final theme was defined. The

template became the basis for the researcher's interpretation or illumination of the data set. These sets of analysis were identified as the first construct. Appendix (II) highlights the data analysis and the evolving constructs for this study.

The first order constructs were totally the participants' ideas, expressed in their own words or phrases, and were used to explain their knowledge or experience of the concepts being captured in the research. It reflected the precise detail of what that person was saying (Titchen and McIntyre, 1993). The first order constructs were made up of responses given by the participants to the research questions about the effect of FT status in the NHS. The constructs were identified for all participants in the research, with a constant process of checking for appropriateness and completeness of these constructs.

**Stage three: Identifying second order constructs and grouping into themes**

Following the identification of the first order constructs, the researchers' theoretical and personal knowledge was layered on this constructs, so as to generate the second order constructs. This process is known as the abstractions of the first order construct. The data stored in the first order was migrated into the second order, as themes and sub themes were being derived. In a number of cases, similar first order constructs were merged into the second order and dissimilar themes were left as stand-alone as a second order construct.

The use of Nvivo, again in this phase allowed for a comparison of construction within an inter-organisational framework. Lines of the same codes that were classified as themes and sub themes were compared across the three case studies. This comparison was a check to understand the variations and similarities in practice within the case studies.

The interpretation process started with the analysis of each interview transcript, with a view to presenting a representation of participants' data as a whole, which then informed the understanding of each transcript, thereby presenting a richer, deeper understanding of the phenomenon. By the completion of the third stage, all relevant text data was grouped under their relevant constructs, providing answers to the research questions.

After analysing the entire interview transcript, a total of 376 free codes were generated. The first set of interviews collected between 2009 -2010 (42 interviews), then in order to re-confirm and obtain further assurance on the code generated from this data, 13 further interviews were conducted in 2012, thereby making a total of 55 interviews.  From the 376 free codes, 17 themes were generated, which represented the first order construct. As mentioned above, these codes were grouped and organized into a trees pattern with the use of

the Nvivo. In order to re-confirm and obtain further assurance on the themes generated from this data, 13 further interviews were conducted in 2012, thereby making a total of 55 interviews. By overlaying the theoretical stance and other data obtained on the first construct, the codes were conceptualised in the light of institutional theory, which was a higher level of conceptual abstraction. This process resulted in 10 main themes after re-assembling the information found in each code property; thereby the second construct of the study was established.

**Stage four: Data Synthesis and Theme Development**

The various themes from the first to the third stage of analysis were put together. The second order construct was linked to the first order relationship, thereby presenting the themes and the sub themes relationship (Parent/Child link). This phase built further on the elaboration of the themes, to ensure a clarification of the relationship. In this instance each sub theme was compared with the parent theme to ensure that the classification fitted with the meanings drawn from the data. This process involved reading and re-reading each element of the main data text, comparison with memos and validation with other studies. The process of moving through the data back and forth gave a clearer insight into the implementation of the FT status; thereby meanings were enhanced from various actors' interpretations and perceptions of the FT phenomenon.

**Stage five: Enlightening and elaborating the phenomenon**

The full explanation of this stage of the analysis is provided in chapter 8. This is the final stage of the data analysis, which leads to the research narrative. It establishes a link between the literatures, and the themes and sub-themes identified in this research. At this stage, using institutional theory as a lens, a link was established between the main themes and the theory. The main themes were also examined critically in order to develop or extend the theory.

The articulation of the themes, sub-themes, and their interrelationships formed a basis for constructing the experience of participants interviewed in the various NHS organisations, starting from their precise words and expression of their opinions on the role of FT implementation in their organisations to the creation of a narrative on the subject.

## 4.5   Data Validity and Reliability

Data validity in research involves the formation of suitable operational measures for the concepts being investigated (Emory and Cooper, 1991). While the term data reliability is

commonly used for testing in quantitative research, it is also applicable in qualitative research, as it is a unit that tests the quality or trustworthiness of a research. The two factors – validity and reliability - are essential in the design of any qualitative research. This is further extended to the role it plays not only in the analysis of a research, but also in the judgement of the result quality.

The research design strategy adopted for this study obtained information from participants through interview on a one by one basis. The objective was to access each individual's perceptions and experiences of the FT reform and its implementation model in their organisation. The validity and reliability test of the methods adopted in data gathering was put through a number of rigours during the interview. Some of these tactics were built into the interview questions. Firstly, there was the triangulation of the actors' responses, so that two or more carefully worded questions, which addressed the same subject were put to the interviewees from a different perspective each time. Secondly, some of the questions were asked in such a way, as to engage the construct of the interviewee in clear terms. This was in situations, where the interviewer makes an attempt to disprove emerging explanations.

The third method of triangulation adopted in the interview was the comparison of responses to questions within the same organisational hierarchy. The same questions answered by the members of staff at senior management level were compared with responses from middle and lower management staff. This helped to facilitate the evaluation of trustworthiness of the responses received. Finally, this study also used diverse methods of evaluation, with sources ranging from individual organisation documentations to policy papers released by the controlling organisations such as the Department of Health, Monitor and Care and Quality Commission. By using different sources in the evaluation process, the appraisal was able to build on the strength of each type of data collected and minimised the weaknesses of any single source. In the process of evaluation, the researcher was mindful that the approach to evaluation was capable of increasing both the validity and reliability of data, and it may also lead evaluators to modify or expand the evaluation design and/or the data collection methods (Patton, 1990).

The findings of the research were constantly compared with the pre-data analysis assumptions, which was the basis of template analysis design shown in Appendix (II). This was done to tease out any bias developed either from the literature or the researcher's personal experience; this process enhanced the authenticity of the research (Lincoln and

Guba, 1985). The rigorous checking of the interpretation with the original transcripts also helped to maintain closeness to the participant's construct.

## 4.6   Summary

This chapter presented an elaborate discussion of the research methodology adopted for this study. It elucidated on a number of empirical studies, while building on the nature of the phenomenon under study, to justify the use of an interpretive approach for understanding accounting innovation in the NHS. Challenges posed by this accounting innovation, wholly suggested the use of interpretive paradigm for the study. The chapter also explained the process of data collection, the data type and how the data was analysed. Three main data collection techniques were used, which included document analysis, interviews and observation. The analysis of data obtained was supported by the use of Nvivo software, adopting the Crabtree and Miller (1999) template analysis process. The next chapter is set to describe the research sites in detail, and to project the NHS environment and its relevance to the methodology adopted in this study, thereby giving a superior insight into the organisational form.

<div align="center">

**Chapter Five**

**Research Site Profile**

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## 5.0    Introduction

This chapter provides an overview of the research sites, tracing the linkage between the UK government and the structure of the NHS within the control of the government. It also unveils that part of the NHS that is being transposed into the Foundation regime; noting that the FT Hospitals used as case studies in this research emanated from the same NHS structure. These FTs were licensed to stand as independent hospitals outside the control of the Secretary of State. However, they are still relevant to the body of events in the entire NHS, and, therefore, this chapter shows the various connections between the regulators, the NHS organisations and entire UK government system, starting from the apex structure of government through to the individual organisations that make up the NHS. This chapter also considers the introduction of FT within the governance network, highlighting controversies raised by the FT concept from several quarters, namely the political parties, the politicians, staff union bodies and many others. The objective of this chapter is to describe the establishment pathway of the FT organisations, and the regulatory, financial and political environment within which it operate.

## 5.1    An Overview of the NHS within the UK Government

The NHS was established in 1948. The vision of the NHS was to provide a comprehensive health service targeted at improving the physical and mental health of the nation through the prevention, diagnosis and treatment of illness.  At the time of establishing the NHS, the vision was "to make all types of health services available to every man, woman and child in the population, irrespective of their age or where they live, or how much money they have; and to make the total cost of the service a charge on the national income in the same way as the Defence Services and other national necessities". The NHS vision has not changed since its inception, given that the organisation is funded exclusively from national taxation of the citizens.

The NHS is a major organisation in terms of prominence and function; it is under the control of the UK central government. The government system is arranged into two separate houses, namely the House of Commons, which is responsible for the parliamentary function of the country, and the House of Lords, which is responsible for the making of laws. The NHS is directly responsible to the House of Commons, under the supervision of the Secretary of

State (SOS) for Health, as shown in the diagram below. The role of the Secretary of State within the UK parliament is a crucial one and it is further explained in the next few paragraphs.
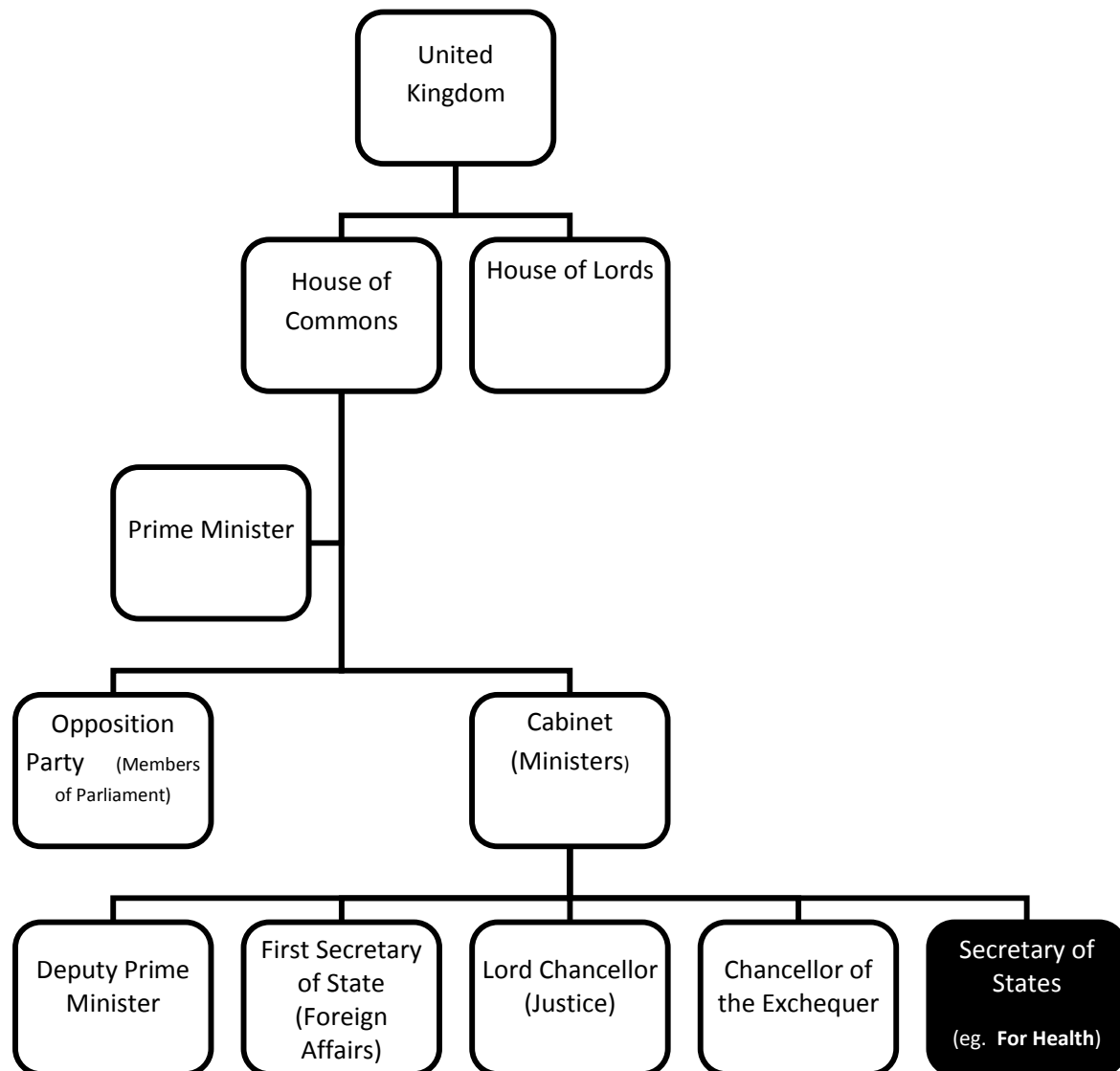


*Figure 5- Simplified Structure of UK Government*

### 5.1.1 Parliament

The Parliament in Westminster is responsible for passing all the primary legislation (Acts of Parliament) for the health services in England and Wales, it is also charged with the secondary legislations (Statutory Instruments) for England and Wales, which may be put forward to the house.

The House is ever active in debates about NHS policies and innovations, as the NHS is funded through the tax payers' resource; this makes the House accountable to the public. The

Secretary of State for Health remains the Responsible Officer to render account to parliament for all activities taking place in the NHS. NHS trusts are currently managed by the Department of Health, a department of government, which is directly responsible to the Secretary of State for Health, with the exception of the NHS Foundation trusts.

### 5.1.2 The Secretary of State for Health

The Secretary of State for Health is a member of the Cabinet within the House of Commons, and has the overall responsibility for the work of the Department of Health (DoH). The Secretary of State delegates responsibility for the NHS to the accounting officer within the DoH, who is accountable both to the Secretary of State and directly to Parliament. The same accountability role applies to Chief Executives of the Trust Developmental Authorities (TDA), who are responsible both to their boards and through the accounting officer to Parliament. The responsibility of the accounting officer covers the investment and regulation of public finances within the NHS, which includes ensuring that a proper account is kept of the finances of the NHS, a prudent and economical administration of finance to avoid waste and extravagance, the efficient and effective use of all the resources, and effective delivery of a safe clinical service to the public.
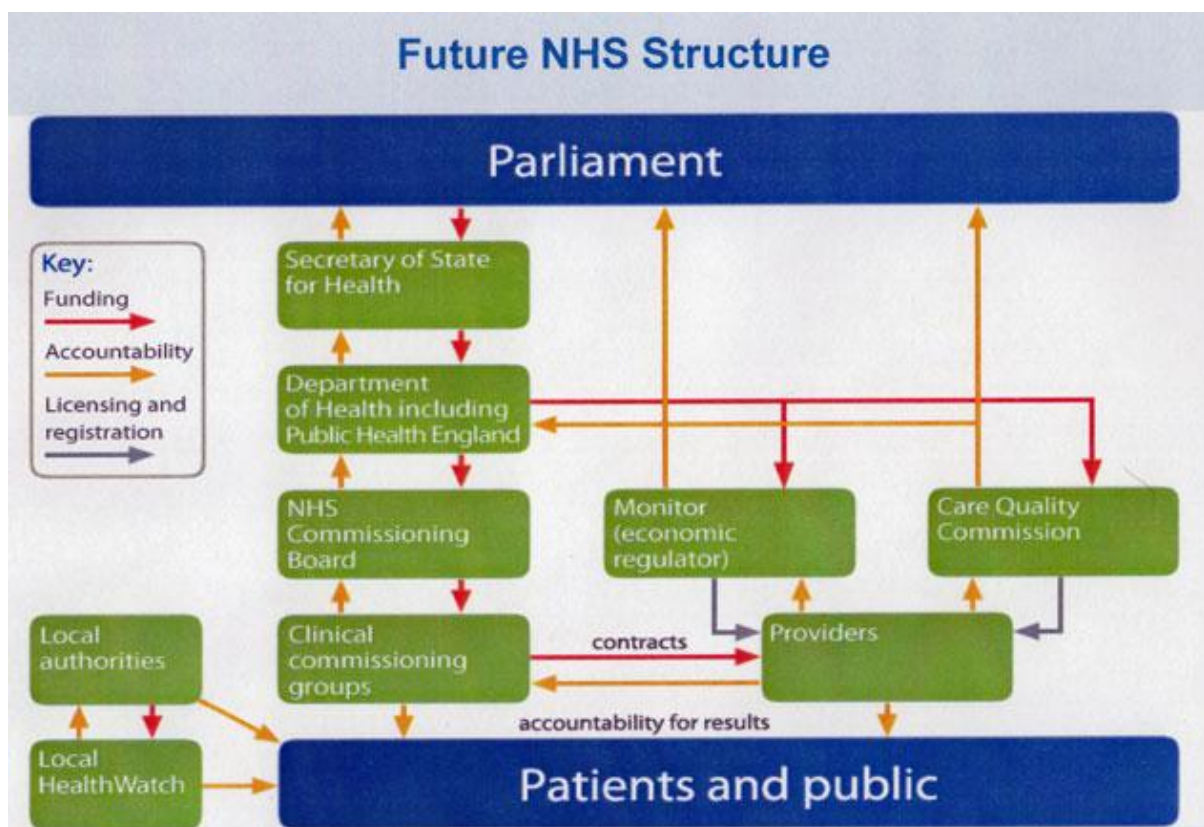


***Figure 6*** *- Future Structure of the NHS – The Guardian, (2011)*

The organisational structure of the NHS has changed repeatedly over the last 60 years, owing to the prevalence of reforms and restructuring within the sector, especially in the last two decades. The existing structure (shown in figure seven) is still undergoing a radical alteration, with the introduction of new reforms surrounding the closure of the Primary Care Trusts system, giving way to the introduction of the GP fund holding relationship. In this system, the General Practitioners are responsible for the commissioning of service to the secondary care units through the Clinical Commissioning Group as shown in figure six.

### 5.1.3 The Department of Health

The Department of Health was set up to support the government in improving the health and well-being of the citizens of the United Kingdom. This is done through the modernisation efforts made by the DOH to improve the standard of health care delivery. The DoH is responsible for setting the national standards for health care services delivered by all NHS providers in the UK, it secure resources and make decisions about major investments to be undertaken by the NHS and social care, with the aim of ensuring that the outlets have the capacity to deliver such investments. The DoH also works with several partners within the NHS to foster a high quality service. It works with the Care Quality Commission to drive good clinical standards, with the Audit Commission for better accountability, and the SHA for effective control of the primary and secondary care units of the NHS.

The Strategic Health Authorities (SHA) now known as the Trust Development Authorities (TDA) were responsible for the enactment of directives and implementing fiscal policy as dictated by the Department of Health at their individual regional level. Each SHA is responsible for the PCTs and Hospitals domiciled around their region. The SHA was responsible for strategic supervision of services being delivered in their local patch

The Department facilitates the internal reorganisation of the NHS, when market mechanisms were introduced to make a clear distinction between commissioning and provider branches within the UK healthcare system. There are a number of Special Health Authorities and other bodies, which are either part of the NHS or closely associated with it. They include the National Institute for Clinical Excellence (NICE), the Health Protection Agency (HPA) and the Prescription Pricing Authority. These organisations are either accountable to the Secretary of State, or have formal agreements with the Department of Health. In general, they all provide national services.
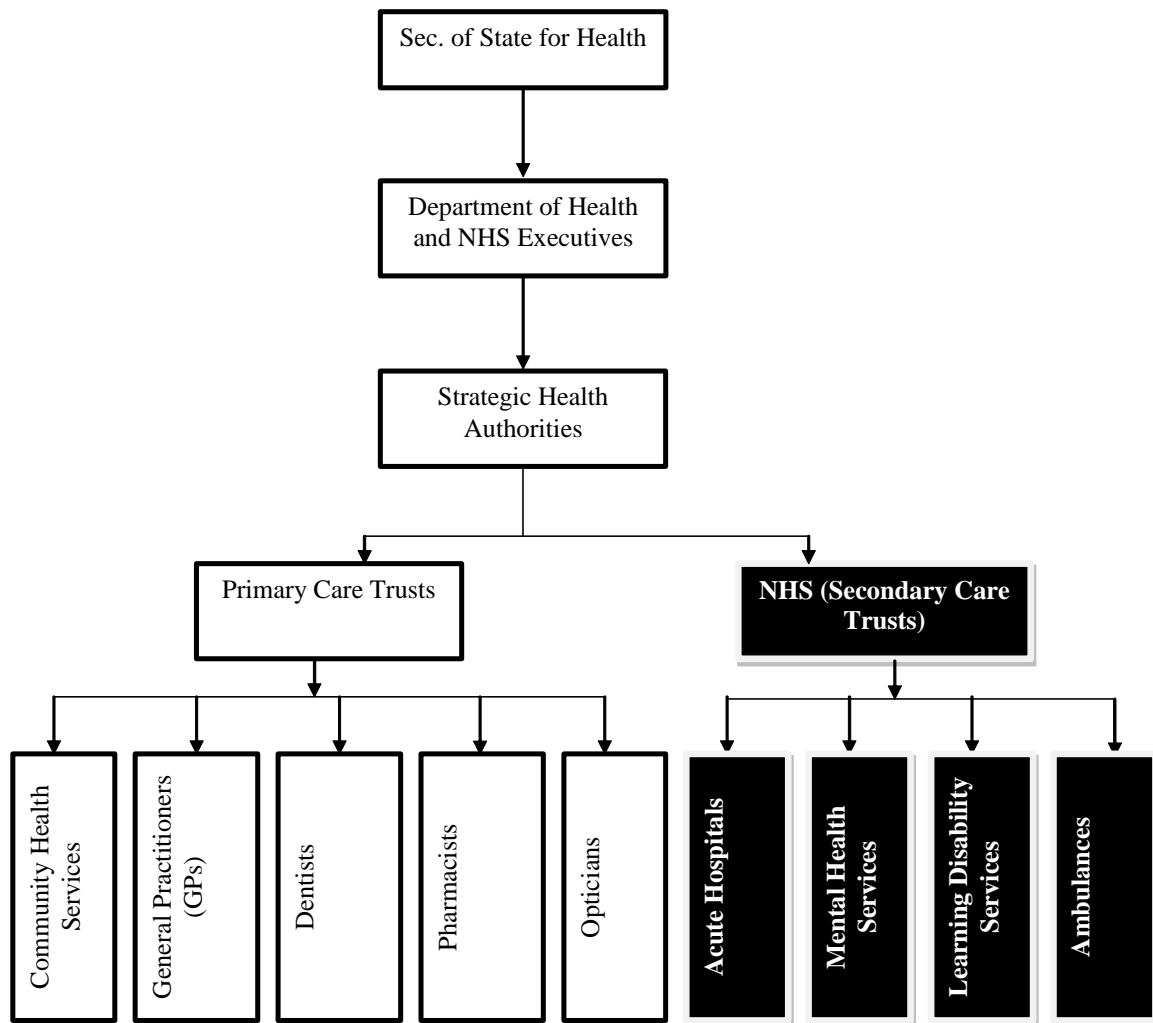
***Figure 7****-Simplified Structure of the NHS*

### 5.1.4   Primary Care Trusts (PCTs) – Replaced by 'Clinical Commissioning Groups'

The Primary Care Trusts became a commissioner of services with the introduction of market system in the NHS in 1991. The PCTs identify the services required within local regions in the UK and commission the clinical services through the Acute, Mental Health, Ambulance and Community Trusts, who are responsible for the delivery of services; while the PCT pay for services provided. The line of accountability within the NHS is continuously being transformed. The separation of roles within the NHS, demarcating those whose function is to purchase or commission health care from the providers, is rapidly changing, while those whose function is to provide remains as it is, the commissioning role is being replaced with a GP fund-holding system.  This has opened the door for new providers, paving the way for the private sector organisations to become providers of NHS care.

With effect from April 2013, the PCTs ceased to operate; they have been replaced by a new body called the Clinical Commissioning Group (CCG). With the introduction of the General Practitioner (GP) fundholding system in the NHS, where the responsibility of health care commissioning is now being led by the GPs, the CCGs became the umbrella body to house this process; they are clinically led groups, which include all of the GP groups in their geographical area (See figure six). The aim of this is to give GPs and other clinicians the power to influence commissioning decisions for their patients, given their proximity to the patients. The CCGs are overseen by NHS England. The CCG structures manage the primary care commissioning in its entirety.

### 5.1.5 Secondary Care Trusts (The Providers)

The Secondary Care Trusts are the providers of the services commissioned by the CCGs. These providers include the acute, mental health, community and ambulance trusts. This research is focussed on these organisations within the NHS. The FT reform is mainly based on the operation of the provider trusts. Every provider organisation in England is expected to become a FT hospital by a new deadline given as March 2014. The provider organisations are represented in the shade of black in Figure seven above and also denoted as the providers in figure six, This is the aspect of the NHS primarily concerned or affected by the FT reform.

The organisational structure below (figure eight) shows a typical structure of governance in a provider hospital setting. The organisations usually have a Chief Executive who is the head of the Executive board, and a Chairman who heads both the Executive and Non-executive board. Each member of the Executive and Non-executive boards has their portfolio, for which they are accountable. While the Executive members are responsible for the day to day operation of the organisation, they are also accountable to the Non- executive board, which oversees other areas of patients' affair, usually in committees and ensuring that the Executives remain accountable to the tax payers.

Each member of the Executive team has a specific responsibility for one or more divisions of the organisation. For example, the Medical Director will usually be responsible for all the clinical areas of the organisation. In each of the divisions, there are personnel within the senior, middle and junior rankings. In the medical divisions, there are the Medical Consultants, Junior Doctors, Nurses, and other allied professionals, who are responsible for the core business of the organisation at the front end, where patients care role resides. The non-medical divisions, such as the Human Resources and Finance divisions, which composes

of the Administrative, finance and other managerial expertise, who are responsible for the management of the organisation,. For the purpose of this research, staff were drawn from all ranks across the organisation to participate in this study.
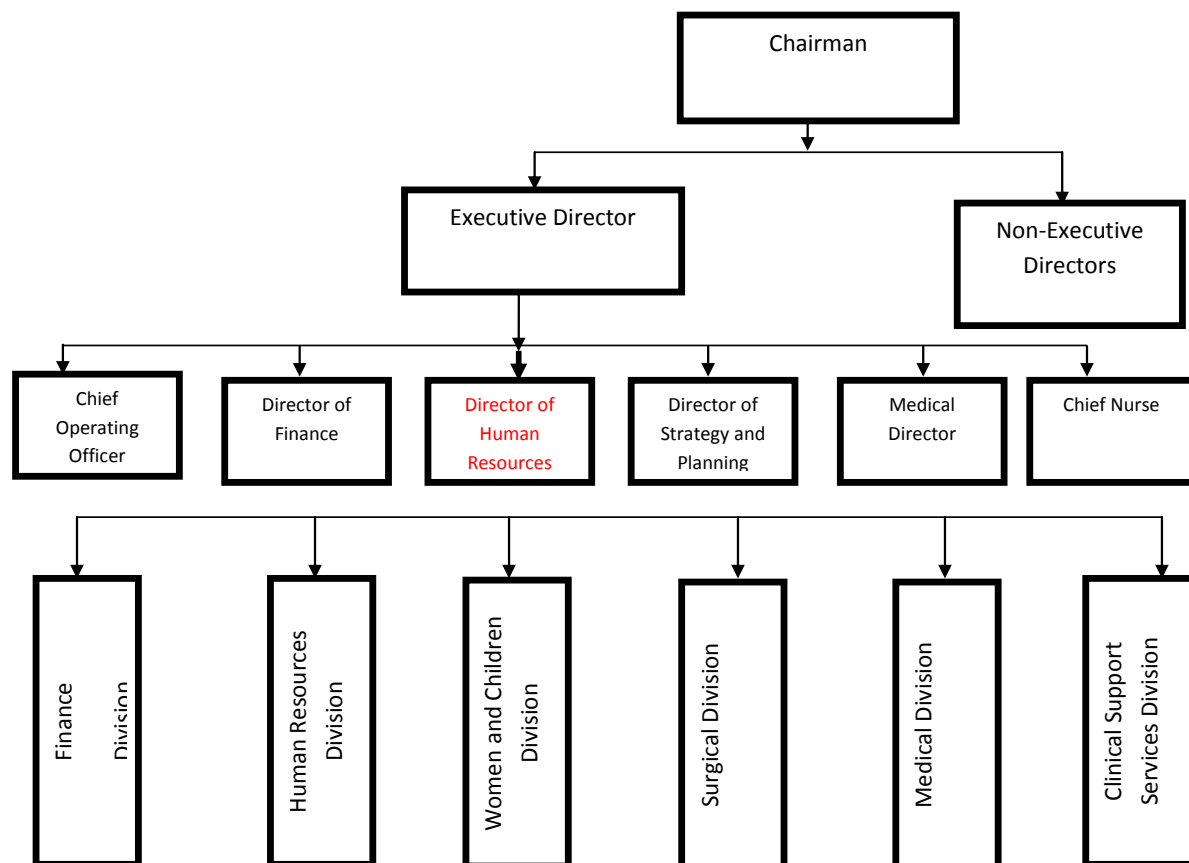


*Figure 8- Simplified Structure of a typical NHS Acute organisation*

## 5.2    Brief Background of the Foundation Trust Hospitals

The introduction of FT status did not gain acceptance in the NHS without a fair share of controversies; the reform attracted resistance within the NHS and also in government. To its proponents, the creation of FT is a relief for the organisation from the current onerous burden of government control over the NHS. To the detractors, it is an introduction of a two-tier service within the NHS, which is presumed to damage the collaborative networks in the organisation (Lewis and Hinton, 2005).

FT Status was established through the Health and Social Care (Community Health and Standards) Bill 2003. This Bill was tagged as one of the most controversial pieces of legislation to come out of the government's 10 year strategy for the NHS in England (Pollock et al, 2003). The Bill had the dual role of setting up the FT hospital model, while also

abolishing the government's control of the NHS. The effect of the Bill was far reaching - drafting recruitment into the FT system not only from the NHS system, but also from the private sector, as private sector organisations were given the opportunity to become FT hospitals.

The Bill also appointed Monitor as an independent regulator, established to be at the helm of affairs of FT hospitals. Monitor is a non-governmental organisation, in charge of the authorisation or licensing of NHS hospitals, and accrediting the new status of FT to qualified organisations. The authorisation usually sets out the FT's main objectives and the health services it must deliver, which is often referred to as their 'terms of reference'. FTs are not allowed to operate outside of their terms of reference.

Monitor reports directly to the Parliament and not the Secretary of State. Effectively, Monitor has the power to create and dissolve FT hospitals. Powers bestowed on Monitor by the legislation include –

- Controls over the use and sale of public (former NHS) assets

- Decisions about what NHS health services are required for the local population and whether they will be provided by the public or private sector

- Control of the scale, nature, location, and duration of local health services delivered by FTs

- Control of the scale of public and private provision

- Control of trust dissolution and merger

- Control of FT's borrowing levels

- Control over private patient income

The operating framework for FTs differs markedly from the rest of the NHS. The FTs are autonomous organisations, public benefit corporations, which are not subject to the directive of the Secretary of State, or the Trust Developmental Authority, being an independent not-for-profit public benefit corporation, modelled on cooperative societies and mutual organisations (Maltby, 2002). Unlike the NHS trusts, they have different financial duties and targets. There are several hurdles to be crossed by any aspiring NHS trust before becoming an FT, these being engendered in the application process.

FT applicants are subject to a robust assessment of their finances, where they must demonstrate their financial and clinical sustainability, possession of an astute board capacity and the capability to operate in a self-regulating environment.

The NHS under the National Health Service Act 1977 requires the Secretary of State to promote a comprehensive, free, health service to improve the health of the people and to provide facilities, as he considers necessary, to meet all reasonable needs. This same point was entrenched within Monitor's role in the creation of FTs by Section (3) of the Health and Social Care (Community Health and Standards) Bill 2003. The Bill requires the same measure of responsibility from Monitor to promote a comprehensive, free, health service to improve the health of the people in the most equitable manner.

The Department of Health requires Monitor to operate a discrete statutory framework and not to replicate the Secretary of State's existing powers of direction or have a role in performance management, but only to "take account of the interests of the wider NHS". Following the authorisation of a trust to become a Foundation Trust, some powers are automatically conferred on the FT organisations, this include:

- The right to trade in NHS and non-NHS services

- To buy and sell land and assets and retain the proceeds

- To create commercial arms or join existing commercial ventures

- To subcontract clinical services to commercial companies

- To borrow money from private lenders within a prudential borrowing regiment

- That FTs have the right to request a lowering of its annual costs from the secretary of state, thereby exercising discretion when valuing the assets that are transferred to them

- To benefit from subsidies, loans, and grants from the secretary of state, including their NHS capital allocations for the next three years

- To retain surpluses under the new national tariff system

- To control boundary between the NHS and charged-for health and social care

- To have the flexibility to direct or transfer staff into the private sector

In the NHS, the allocation of property sale proceeds must be discussed and approved by the Trust Development Authority. This is not the case with FTs, as they operate independently, without any allegiance to the TDA. It must be noted that the Bill does include a clause protecting former NHS properties. However, the power to alienate protected properties is now at the discretion of Monitor, and no longer the government or the Secretary of State. An FT can negotiate with its regulator to deregulate and sell protected property after their initial authorisation.

FTs are allowed to form alliances and joint ventures with private sector companies in the provision of services, such as diagnostic services, especially where better expertise exists in the private sector. FTs can also sell such services to patients where those services are not available on the NHS, thereby the patients as private patients. The basis of private treatment is that FTs are allowed to generate income from private patients, although this was limited to a maximum threshold of 0.7% of the FT's total income. The legislation provides that FTs will not be allowed to generate surpluses by increasing the proportion of their income that comes from private patients, this is the object of Section 15(1), which originally stated that: "An authorisation may restrict" health care provision for private patients.

The wide range of financial freedoms given to FTs is expected to enable them to improve their financial management, efficiency and performance. Being FTs, they are expected to improve their business planning processes and to develop new services, invest in infrastructure, improve waiting times, maintain standards of care, and invest in education and training (Health Matters Journal, 2007). FTs are required to meet national targets, as with other trusts, but they have more freedom to decide how these standards are achieved (Department of Health, 2002). The government clarified that FTs will not be subject to performance management by the TDA; they will be locally accountable and responsive to their local healthcare needs. To facilitate their local responsibility FTs will have members drawn from local residents, patients and staff.

NHS FTs were required to establish a board of governors, which was to be led by the trust Chairman. The Board of Governors are to ensure that the local community is directly involved in the governance of the NHS FT. The board of governors represents an array of groups, which includes service users, carers, staff, commissioners, local authorities, the voluntary sector, the general public, and others. The board of governors is directly accountable to the members of the trust, ensuring that the FT organisation operates in a way that is compliant with its objects and terms of authorization. The members are entitled to

elect at least half of the constituents of the board of governors, who in turn will appoint a board of directors.

### 5.2.1 Reasons for Rejection of FT reform

At the inception, when the Foundation Trust model was proposed, the model was opposed by a number of bodies, including the British Medical Association (BMA). The BMA is the professional organisation established to look after the professional and personal needs of medical doctors in all branches of medicine all over the United Kingdom. The other body that was at the forefront of resistance to the reform was the Transport and General Workers Union (TGWU).

Some of the major reasons for the rejection of the FT reform by these bodies were –

1. The possibility that the introduction of FT may lead to a two -tier NHS, where foundation hospitals would have greater access to resources and may also "poach" staff from non-foundation elements of the NHS, due to the ability to offer better rates of pay, above the nationally agreed terms and conditions..

2. Staff and funding may flow to the foundation hospitals, choking off resources to the remaining NHS hospitals. The remainder of the NHS would struggle to cope with diminished resources and may never be able to attain the star rating necessary to acquire Foundation status, thus spiralling into decline.

3. Funding to support Foundation status would come out of the central department of health budget, thus shrinking the resource pool for those hospitals that cannot attain this status, especially when organisations outside the NHS, such as the private sector begins to apply for FT status

4. Foundation hospitals would threaten national pay agreements. There would be no legislative requirement for Foundation Trusts to adhere to agenda for change, the pay plan brokered to address the chronic low pay in the Health Service.

5. Foundation hospitals may not increase choice or raise standards across the NHS. They may stimulate choice and internal competition, encourage diversity in the provision of care and decentralise power.

6. Foundation hospitals may have a strong interest in redefining care services as broadly as possible to encourage patients to top up care, paving the way for the eventual

introduction of a mixed economy of health payments such as "co-payments" or vouchers.

7. Foundation hospitals may create healthcare 'ghettoes', thereby segmenting care providers, as was seen in education sector (Schools) provision. As the most socially mobile families looked into the catchment areas of the highest-performing schools, so too would Foundation Trusts enshrine a postcode bias in healthcare.

8. The government suggested that all hospitals would eventually become foundation hospitals, which may exacerbate the postcode bias, rather than having a mere handful of hospitals with different targets, priorities, rates of pay, levels of service, and standards of patient care, each and every hospital in England would become a stand-alone, unaccountable, self-serving entity. This could lead to a multi-tiered NHS in which patient care and health outcomes become more fragmented and unequal.

9. Foundation hospitals would rock the structure of the National Health Service. Scotland and Wales have refused to adopt the proposals, leaving England to develop this model of a mixed economy in health care.

10. The role of the Regulator, possibly the most powerful role in the health service, has not been properly defined and it raises many questions.

Some of these arguments were continuously being engaged with even as the FT reform continued to spread across the NHS, and many other adjustments are being made to the FT agenda in the course of implementation.

## 5.3    The Process of Becoming a Foundation Hospital

Theoretically, the FT process spans a period of six months from start to finish, in accordance with the Monitor's timetable. However, in practice, there are several hurdles for Trusts aspiring to become a Foundation Trust organisation that makes this timescale impossible. Applicants are subject to a robust assessment of trust's finance, clinical excellence and long term organisational sustainability.

The primary motivation of NHS organisations to apply for FT status is because it was made a mandatory process for all trusts to acquire the status. In addition, there are benefits to the organisations, when they are able to achieve the status.

Overall, there are three phases in the journey leading to the authorisation of an NHS organisation to become an FT Hospital. The three phases are –

1. The SHA-led Trust Development phase

2. The Secretary of State Support Phase

3. The Monitor Phase

**Source: Monitor Presentation File**
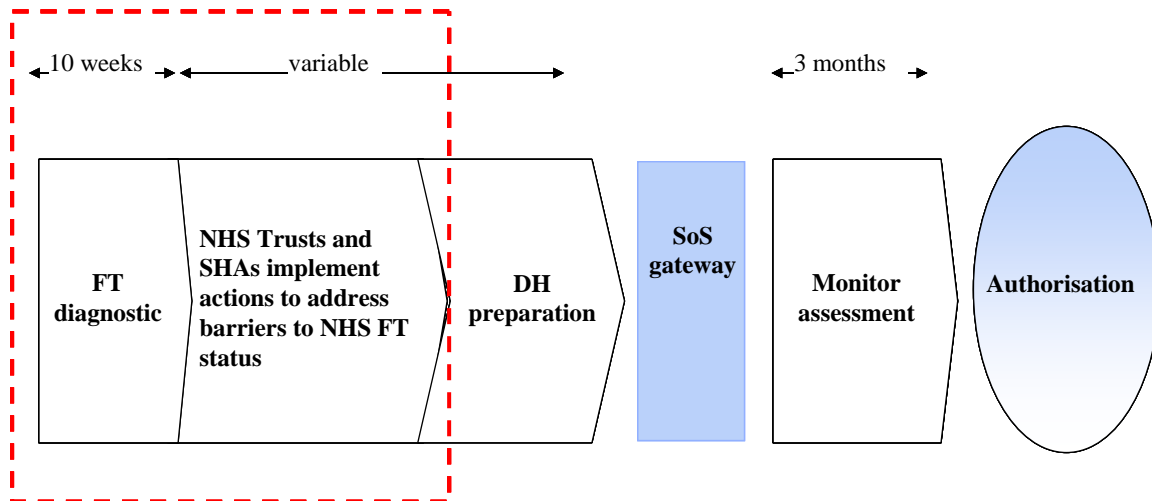


*Figure 9- Pathway from Individual NHS to Foundation Trust Organisation (Monitor,2008)*

There is no rigid timetable to be followed in any of these phases; the successful completion of each phase is dependent on the level of organisation's preparedness, which differs from one applicant to the other.

### 5.3.1  The SHA-led Trust Development Phase

This phase is a detailed part of the application process, where the TDA and the trust agree on a timetable, with an understanding of the process, between each other; both parties will also ascertain that there are no outstanding issues that could be an impediment to the application process. This phase also embodies the public consultation process, which takes a minimum of 12 weeks. This is essentially a period where the trust consults with its local community to gain their support for the trust to apply for FT status.

The Monitor guidance - 'Applying for NHS FT Status' (Monitor, 2004) highlighted some of the key requirements for a successful FT application as follows:

- Governance – an organisation led by a capable, competent and proactive board with a clear focus, and supported by clear, robust and appropriate governance arrangements throughout the organisation.

- A board with a 'shared agenda', where corporate business is the business of everyone on the board.

- A clear vision and strategy based on the engagement and involvement of key stakeholders and translated into a robust, realistic and credible integrated business plan (supported by sound business-focused governance arrangements to ensure clear accountability for delivery of specific objectives).

- A strong business-focused relationship with commissioners underpinned by clear agenda

- A well-articulated and coherent description of how the NHS organisation will move from the present to the future.

- A clear translation of the business plan into a deliverable financial strategy;

- Robust internal systems and processes relating to governance, project management, resourcing, monitoring and delivery.

- A good track record of delivering plans such as cost improvement and efficiency programmes.

- A good track record of delivering healthcare targets and national core standards;

- A strong track record of financial performance supported by robust governance arrangements and internal controls.

- A 'fit for purpose' finance function, which understands the requirements of being an NHS FT.

The SHA-led Trust Development Phase requires the TDA, to work in partnership with the applicant trust, to help them develop specific areas of operation, which will build the trust's readiness for assessment at the second and third phases. These areas include the development of an integrated business plan, which will show the strategy and understanding of the trust of its environment. It also demonstrates the trust's survival strategy in the FT environment, financially and operationally. The TDA works with the trust to build a sustainable governance framework that demonstrates strong leadership skills, a coherent strategy and a commitment to present a better service to the service users. One of the major outcomes of this phase is the production of the trust's long term financial model (LTFM), which will show the prior three year historical account of the trust, the current year outturn and the Five-year

future forecast. Where the organisation has an on-going public finance initiative (PFI) project, they must produce a Ten-year future forecast.

At this phase, the trust must also show that they have the full support of all stakeholders in their constituency; this includes the commissioners, the public, and staff supporting their aspiration in becoming an FT. The TDA also work with the trust to undertake an independent historical due diligence (HDD). The HDD is usually carried out by an independent firm of accountant, who scrutinise the financial and governance records of the trust, to provide an assurance to the TDA of their robustness. The HDD also investigates the trust's financial reporting procedures to ensure that they meet the minimum requirement.

After the above process has been successfully undertaken, the trust will be in a position to make a formal application to the Secretary of State with the support of the TDA. It is the responsibility of the TDAs to compile all the evidence necessary to demonstrate the trust's readiness for FT authorisation and present the organisation for the next phase.

### 5.3.2 The Secretary of State Support Phase

Following the successful completion of the SHA led phase, the applicant must submit a formal application to the Department of Health to secure the support of the Secretary of State to move forward to Monitor's assessment phase. The formal application includes the following documentation –

- An Integrated business plan;

- A Long-term financial model in excel format;

- The Governance rationale;

- A Draft constitution;

- The Consultation response and staff engagement; and

- The Membership strategy

The TDA's support must be added to the trust's application to the Secretary of State. Therefore, the TDA board, or the TDA provider development board, if appropriate authority has been delegated to this body, will complete a high-level summary and an TDA support form for each application made. This will be submitted along with a covering letter of support from the TDA Chair and Chief Executive or TDA board

The Application Committee receives the application along with the TDA support form and covering documentation; this will be the basis of discussion at the Department of Health. The Application Committee is a team of senior officials of the Department of Health who advise the Secretary of State on issues relating to NHS FT applications. The recommendation made by the Application Committee is based on the support of the TDA as declared by the TDA. After the satisfaction of the Application Committee, recommendation will be made to the Secretary of State in support of the trust's application.

The Secretary of State's support is not an automatic guarantee that the trust will become an NHS FT, as the trust must go through the final phase, which is the Monitor assessment phase.

### 5.3.3   Monitor Phase

Once an applicant has secured the support of the Secretary of State, it can formally proceed to the Monitor's phase. At this stage the trust will be allocated to a Monitor Assessment team, which includes a senior assessment manager. The team spends some of its time visiting the trust, conducting interviews and undertaking a comprehensive analysis of the trust's processes.

As soon as the applicant trust recognizes that the Secretary of State support is forthcoming and an application for authorisation will be made to Monitor, it may establish the initial membership and hold elections for the appointment of Governors. The assessment process includes the 'board-to-board challenge', after which a decision is reached by the Monitor board on the trust's eligibility for the status.

The process of authorisation is usually followed by the issuing of Terms of Authorisation determined by Monitor. The Terms of Authorisation set out the conditions on which authorisation is granted and with which the FT organisation must comply. The conditions reflect both statutory obligations on NHS FTs and other obligations that Monitor considers appropriate.

### 5.3.3.1 The Board-to-Board presentation

The board-to-board is that part of the assessment process where trust is given the opportunity to present its business plan to Monitor's board at a meeting. This meeting is usually held midway through the assessment period.

The forum usually is composed of the trust executive and non-executive board members meeting with Monitor's board, which seek clarification through questions and challenges to

the application submitted by the trust, picking up issues identified through the assessment process. The trust board is required to give comprehensive answers and assurances regarding the issues raised by Monitor members.

The meeting allows the Monitor board to assess the level of awareness of the trust board on vital business issues, such as the business risk and how the trust plans to manage or mitigate the risks. It also allows the Monitor board to evaluate the level of coherence in the trust board, both at the Executive and Non-executive level, identifying the skill mix and the level of board challenge, especially from the Non-executive members to the Executives.

### 5.3.3.2 The decision process

The Monitor assessment team drafts a paper summarising their findings from the assessment, which is presented to the Monitor board at the board decision meeting. This is the forum where the application will be formally considered for a decision by the Monitor's board. For any application considered, the decision could result in only one of five decision criteria, which include:

**Authorisation** – Where Monitor authorises a trust, the trust will be formally notified with its terms of authorisation, and henceforth continue to operate its business as a foundation trust hospital.

**Deferral** – In cases where a deferral decision is conveyed by Monitor's board, it means that there are outstanding issues, which are capable of being resolved within a reasonable period of time. Monitor will expressly clarify these issues and give clear guidance to the Trust about matters requiring attention. Deferred trusts are not required to begin the FT application process from the start.

**Rejection** - If an application is rejected, the trust will be formally notified. Unlike in the case of a deferred trust, if a rejected trust wishes to reapply for authorisation as an FT, it will have to restart the application process from phase one.

The trust also has the right to either postpone or withdraw its application prior to Monitor's authorisation decision.

**Postponement** – The applicant can apply for a postponement to Monitor, where it perceives that there are issues during the assessment process, which it needs to resolve before the assessment decision is reached. Monitor will have to appraise the application for postponement on a case by case basis to decide either to accept or reject the application.

When accepted, the trust will not be required to seek the Secretary of State's support for the second time.

**Withdrawal** – A withdrawal of application can be originated by the applicant, when the applicant trust expressly requests that its application be withdrawn. Monitor can also deem an application withdrawn, when the trust does not reactivate its application within the timeframe for which a deferral has been allowed. Withdrawn applications cannot be activated at a future date; the applicant must restart the process from the phase one if the applicant wishes to re-apply for authorisation in the future.

## 5.4   Why is assessment important?

Generally, Monitor's approach to regulation is one of Risk Management (Monitor, 2004). Monitor must be assured and confident about the trust's capability and must also be able to provide assurance to parliament and a wide range of stakeholders that FTs are legally constituted, financially sustainable, effectively governed and locally represented. These are essential requirements for FTs to be able to operate with sufficient autonomy, delivering national health priorities and increasingly responsive to local needs. Careful assessment of trusts is undertaken by Monitor to ensure that only financially sustainable FTs with strong management are authorised to carry out business as FTs. This helps Monitor to guarantee minimal intervention and a robust healthcare system.

There are a number of criteria to be fulfilled by the trust for it to become authorised by Monitor as an FT Hospital, an applicant will need to demonstrate that they are:

- Legally constituted

- Well governed

- Financially viable

This means applicants must:

- Ensure their constitution conforms with the act and is otherwise appropriate

- Ensure the provision of mandatory services in the business plan and that the applicant can and will comply with the terms of the license

- Make governance proposals, which provide a representative and complete governance strategy

- Provide board certification that the applicant has the organisational capacity to deliver the business Plan;

- Provide a board statement, which confirms sufficient working capital for the next 12 months and is accompanied by the appropriate professional opinion on this statement;

- Provide board certification that financial reporting procedures are satisfactory and that this is based on an appropriate professional opinion

- Make the trust board to demonstrate that it is capable to generate a sustainable net income surplus by year three of the projected period and maintain a reasonable cash position;

- Have a minimum financial risk rating of 3 within the first year of projections unless there are exceptional circumstances

Since the establishment of Monitor in January 2004, the number of NHS hospitals licensed as FT organisations has increased each year. By 31 March 2005, there were 25 NHS FTs, by 31 March 2006, there were 32 NHS FTs; by 31 March 2007, there were 59 NHS FTs, by 31 March 2008, there were 89 NHS FTs, by 31 March 2010: 129 NHS FTs, by 31 March 2011: 136 NHS FTs and by 31 March 2012: 144 NHS FTs. The number currently stands at 147 NHS FT as at December 2013.

## 5.5.0  The Foundation Trust (FT) Initiative in brief

The introduction of Foundation Trust status into the NHS was a part of the government's ten-year plan to reform the NHS. In the government's publication 'Delivering the NHS Plan, (2000)', it was revealed that Foundation Hospitals would possess greater freedom than any other hospitals, as they would be able to operate outside Central government's control. The document also emphasised that foundation hospitals would be drawn from the ranks of the best performing NHS hospitals (those achieving 3 stars on the performance indicators). They would still be part and parcel of the NHS, but with a greater independence and freedom to develop their board and governance structures to ensure more effective involvement of patients, staff, the local community and other key stakeholders' (Department of Health, 2002: 30). The FT model displayed a hybrid of the two accountability arrangements as seen in continental Europe - namely, local not-for-profit foundations (such as in Netherlands and Belgium) and elected Local Health boards (seen in several Scandinavian countries). The Department of Health outlined the governance structure of the FT hospitals, when it stated

the eligibility criteria for potential applicants. One of the major objectives of the FT concept was the involvement of all stakeholders. The document states that NHS FTs will operate a type of governance arrangement that gives local stakeholders – staff, patients, people in the local community, and partner organisations such as Primary Care Trusts and local authorities – a real opportunity to influence the overall stewardship of that trust and its strategic development.

The FT reform was expected to set up a clear arrangement, for better community involvement in the running of an NHS organisation, than what currently prevails. Membership of the board was to be determined locally rather than nationally. (Department of Health 2002:6). The Health and Social Care Bill 2012 iterated the legislative proposal regarding the establishment of FT hospitals. The bill gave new financial powers to the FTs. This Bill described foundation hospitals as a public benefit corporation. Schedule 1 of the Bill highlighted the different interests that must be represented in the governance structure of these hospitals. The Bill enumerated the detail of how appointments must be made, for instance, and that more than half of the board members were to be elected by local residents. A minimum of one member was to be elected by the staff constituency and, if the corporation's hospital had an arm of a medical or dental school, at least one member must be appointed by the university. In addition, at least one member must be appointed by the major CCG to which the foundation hospitals provides services.

The government had two fundamental aims when introducing the change, firstly was to democratise the FT hospitals and secondly was to decentralise its (government's) chain of control. The objective, from the government's rhetoric was to create a patient-led NHS. The government stated that this move was targeted at devolving decision making away from a centralised NHS to local communities, which should generally lead to a more responsive health service through local accountability.

### 5.5.1   Risk Rating Regime in Foundation Trusts

The FT Hospitals unlike the NHS are not directly performance managed by the Department of Health through the Trust Development Authority. They remain accountable to their local communities, commissioners through contract, and ultimately to Monitor as a regulator (Monitor, 2008). Monitor uses a risk-based approach to regulate the FTs, whereby the hospital board is held accountable for the early identification and effective resolution of financial and governance issues.

The risk rating system, even though it sounds similar to the NHS star rating system, as in both systems, organisations are often penalised by the withdrawal of their autonomy while the super performers were allowed to gain financial freedom (Agrizzi, 2008), however the methodology of determining the rating is different one from the other.

Governance and Financial Risk Ratings are awarded by Monitor to each FT hospital; this describes the level of risk and opportunities anticipated for that trust. While the publication of risk rating remains the assessment style used by Monitor, the merger of the Health Care Commission that led to the creation of the Care Quality Commission (CQC) means that the CQC is now responsible for the assessment of the quality of health delivery, and as with the star rated award approach being used in the NHS, the same model has been adopted by the FTs for performance management. Monitor publishes three types of risk ratings for each NHS FT:

Financial Risk Rating: This risk rating is allocated using a scorecard, which compares financial metrics consistently across the FT network. The rating runs from one to five (1-5), where (1) represents the highest risk and (5) the lowest. The highest risk means that there is the likelihood of a financial breach of the terms of authorisation in less than 12 months, if urgent steps are not taken, to ensure remedial action. A trust is awarded a medium rate risk, if there is a significant concern that the trust is likely to breach its terms of authorisation in the medium term, say between 12 and 18 months. The lowest risk is awarded if there are no regulatory concerns about the trust breaching any of its terms of authorisation.

Governance Risk Rating: the governance risk rating considers a number of factors, which include: FT compliance with their constitution, growing and maintaining a representative membership, maintaining appropriate board structures, cooperating with other NHS bodies, risk management, service performance, and improvement in clinical quality (Monitor, 2008). The risk rating is presented in colour codes, red, amber and green, where red represents a high risk category conveying a significant breach of authorisation, amber is a moderate risk indicating that one or more aspects of governance is being breached and green means a low risk, indicating the governance arrangements comply with their terms of authorisation.

Mandatory goods and services: This is also represented with colour codes, red, amber and green, where red represents a high risk category, amber is moderately risky and green means a low risk.

## 5.6    Summary

This chapter presented an overview of the government system in the United Kingdom and how the governmental structure links with the NHS structure. The chapter further showed a typical organisational chart of the NHS and the various strands of organisations that work together in health care delivery, with further elaboration on the antecedents of the reform. It presented the various processes required for the authorisation of NHS hospitals to operate as foundation hospitals, in line with the legislation that created the FT model. The next chapter presents the first product of the data analysis process, which is called the first construct data. This is the first output from the data analysis of interview transcripts obtained from the sites described above.

# Chapter Six

## Data Analysis and Coding Categories

## 6.0    Introduction

This chapter discusses the research codes, which emerged at the data coding and analysis phase of this study, part of which was described in chapter four. It illustrates the categories that evolved from the data analysis through the application of thematic analysis procedures. Thematic analysis refers to a search for cogent and relevant themes to materialise in the data analysis process, where those themes are identified as being vital to the description of a phenomenon (Daly, Kellehear, and Gliksman, 1997). This chapter will often refer to the term 'free data', which is similar to the 'open category data' in grounded theory. Free data is defined as concepts generated from data, which describes those phenomena that are important to participants (Strauss and Corbin, 1998; Glaser and Strauss, 1967). The use of Thematic Synthesis in this research involves the identification of themes through "careful reading and re-reading of the data" (Rice and Ezzy, 1999: 258). It is a process that searches for recognition of patterns within the data; the emerging themes are translated into the main categories for further analysis. This chapter provides the detail of the main categories derived from the data, as well as the interrelationships between the categories.

## 6.1 The main categories

The analysis of the interview transcripts discussed in chapter four resulted in 376 free codes, which were absorbed into 17 open categories as shown in the table (3) below, this was obtained through the use of template analysis and the Nvivo software, to form the first order construct. This was later streamlined into 9 main themes called the second order construct shown in the next chapter. The table below describes the first order construct as derived from the analysis.

### 6.1.1    Establishment of rules and mandatory assessment framework

The first inference relates to the start-point of the of the FT phenomenon, in the form of an enabling legislation. Becoming a Foundation Hospital requires that trusts align themselves with a number of rules, by seeking the FT status and to comply with the FT assessment criteria. The assessment process includes the completion of a mandatory Long Term Financial Model (LTFM), which gives a detailed view of the trust's financial plan for a minimum of five years and a draft integrated business plan, which enumerates the

organisation's strategy, governance and the tactics through which the trust would achieve its financial plan shown in the LTFM. Other parts of the process include public consultation, Governor's board membership elections and organisational self-assessment.

| 6.1.1 | Establishment of rules and mandatory assessment framework |
|---|---|
| 6.1.2 | Accounting Identified as a Major driver for Accountability |
| 6.1.3 | Risk Assessment in Service development |
| 6.1.4 | Motivation for FT adoption |
| 6.1.5 | Potency of FT tool in Trusts |
| 6.1.6 | FT in the light of NHS political context |
| 6.1.7 | Trust's readiness for the adoption of FT for Survival |
| 6.1.8 | Divisional reorganisation and re-shuffle |
| 6.1.9 | Strengthening staff quality at board level |
| 6.1.10 | Staff redundancies as Trust journeys to FT |
| 6.1.11 | Board Training ahead of B2B |
| 6.1.12 | Internal powers and Actor's perception |
| 6.1.13 | Communication and Interaction at board level |
| 6.1.14 | Inclusion of the Public in the Trust Board |
| 6.1.15 | Attaining FT status as a Badge of Honour |
| 6.1.16 | Creation of Two-Tier NHS |
| 6.1.17 | Protection of Core Services from FT reform |

Table 3- **List of open code categories**

The participants generally showed an awareness of the FT concept. Interestingly, the majority of the participants could not wait to quickly add that the government forced the organisations into the adoption of FT, and they were also upfront about the potential benefits that accrue to the trust, when it becomes a Foundation hospital. The central question was 'why did the organisation appear contented with applying to become an FT in spite of the pressure they felt? Some of the responses given are listed in the quotes below -

> *[…] Yes, I think it is important for the trust, because if we don't become a FT we could be shut down, acquired or absorbed. It is about existence and you won't survive if you are not an FT so, in a way, it is the only game in town (no choice)' […] - (Workforce Director -Trust B)*

> *[…] I think there is also a second reason - we don't actually have an alternative. The Government has said that all trusts are going to become FTs, and as a result of that, this is something that we absolutely have to do'.[…] - (Asst Director, Stratetegy/Planning, Trust A)*

> *[…] I suppose the primary reason is because we've got to or it's expected […] - (Dep. Director of Finance, Trust A)*

> *[…] It is the Government policy that we have to […] (Chief Executive, Trust B)*

Respondents also mentioned that FT adoption by its nature did not give any alternative to the trusts. This was a sore point for some participants, and they referred to it as a 'straight jacket' process, while some called it 'a one-size fits all reform'. Some of the comments were:

> *[…] It is the national direction for all trusts to become foundation hospitals where they can achieve it […] (FT Director, Trust A)*

> *[…] The only reason for putting a formal application in is because we have been pushed to do it by Policy, both national and regional policy. In terms of if we had a choice, I suspect the trust wouldn't have applied but maybe we would have wanted to bring some of the techniques, the controls, and the methodology employed to run a FT into a non FT situation. So the actual pure application for FT is just to respond to policy and because we are led on by Strategic Health Authority […] (Asst Director, Strategy/Planning, Trust B)*

*[…] I think it's probably the pressure on the organisation to aspire to become FT. And because of the freedom the FT offers, I think that's the driving force […] -(Asst Director, Human Resources, Trust A)*

Some other participants expressed the fear that their organisation's failure to achieve FT status within the stipulated deadline, may lead to a take-over of the trust by other, stronger, organisations. Some other participants were concerned about the way the trust would be perceived by the community it serves, if it was unable to achieve FT status, inability to achieve the FT status taints the organisation as ineffective and not fit for purpose by not only the regulators but also the community.

### 6.1.2 Accounting Identified as the Main driver for Accountability

The most popular element of the FT reform amongst participants was the completion of the Long Term Financial Model (LTFM). While it was agreed to be a major driver of FT assessment process, this assessment model, designed by Monitor to test the financial viability and sustainability of the trust for a minimum of five years, was also found to be complex, too technical and unnecessarily detailed.

Despite the complexity of the model, the majority of the participants found the FT assessment process to be a useful tool for planning and they were in support of it. Some reckoned that the LTFM reflected the type of planning required to effectively run a good organisation. Some other comments made include -

*[…] So, in terms of the regime from Monitor, I liked it and do like it because, it introduced a rigour as well as financial professionalism, which I guess, I had not really seen in my thirty plus years in the NHS, so I particularly liked that. I felt that they were just sometimes un-bending and a little bit mono-focused on finance and we are more than just that. That is why most people come into the NHS, whether they are accountants, engineers or nurses, so I think there were, and are, some excellent things about the regime […] -(Director of Finance, Trust B)*

*[…] Therefore, financial management gets even more of an increased focus, there's even more of an emphasis on planning our affairs, organising, reporting, holding people to account and focusing on the basics of financial management. I would say that FT status has really encouraged us to take a more disciplined approach to our financial management here […] - (Deputy CEO, Trust B)*

*[…] I think it is good. I think the rigour of the financial and economic reporting is good. So, I think it means that trust cannot get into a financial downward spiral without knowing anything about it. The LTFM model is much more transparent in that you can see your recurrent underlying position, whereas I think in other NHS trust reporting, you can't necessarily see that. I like the benefit of not having to balance the books annually […] - (FT Director, Trust A)*

*[…] I can only say from my experience of this trust pre-FT and post FT. I think that the difference is that you have to have clarity about the finances. The degree of understanding about income and expenditure has to be very, very strong for a FT to survive […] - (Chief Nurse, Trust B)*

*[…] I think it is absolutely essential to go through that process because at pre-FT many organisations worked in a historic public sector NHS way and I think what the FT status brings is a lot of financials that come in commerciality. Because you are bringing in autonomy, you are able to manage your resources more effectively because you have control over it. Equally there are risks associated with that as well, and I think that having good regulation, which we do have via Monitor helps. There have been some blunders, but I think it is improving and that is due to early intervention […]. - (Chief Nurse, Trust A)*

*[…] Now we monitor cash daily like all other serious commercial organisations do, which is what we need to do to ensure we can meet our obligations. It has really sharpened up greatly […] - (Treasury Manager, Trust B)*

*[…] Yes, again it came back to being quite explicit about what you are spending money on and why. Maybe other FTs have that as well, but we have had to develop very good understanding and very good robust processes to defend the type of grades we employ in terms of the nursing skills mix, to understand exactly how many nurses we need to give the care that the patients need and that has all had to be very transparent so that it can be reviewed, audited and understood by others who are not nurses […] - (Chief Nurse, Trust C)*

*[…] The early FTs, certainly the first, second, possibly third, wave FT and the Monitor way of assessment, I would suggest was 90% finance based. It was an organisation headed by a very strong and forceful individual, the first eighteen months or so it was almost entirely staffed and recruited and run by McKinseys*

*consultants and introduced American financial accreditation assessment models, purely finance and numbers driven and that was its culture [...] - (Directorate Manager, Trust C)*

*[...] There is far more emphasis on cash and the need for cash.  I mean cash as in working capital on the basis of being able to forecast as accurately as possible and the cash we are going to need in the short term and long term, and certainly up to the end of the financial year. Whereas, before it was necessary as a trust, but there is a lot more emphasis on more accurate recording as a FT. Plus with Monitor being involved as well and the returns have to be recorded [...] - (Treasury Manager, Trust B)*

*[...] There are several, but I think the most pressing thing is the requirement to be financially solvent; it is much more absolute in a FT than a non FT, so it promotes a more vigorous business culture. Having said that, it does not mean that finance is the first and foremost thing you do, and our trust's top ten objectives have all the things to do with patient quality care at the top, but without the financial structure underpinning we would not be able to deliver that.  For that reason, I think that the overriding knowledge that there is nowhere to turn for bail out if you don't have the money to deliver the clinical services promotes a very intensive focus on financial matters [...] - (Medical Director, Trust B)*

### 6.1.3   Risk Rating in Service developments and assessment

Monitor's method of trust assessment is based on 'Risk Analysis'. Participants in this research asserted that the use of risk analysis in assessing their services and developments gave them a higher levels of confidence in their decision making process. This point further unveiled the use of accounting as a driver in the process of innovation uptake as the trusts were judged by Monitor against the risk profile. The trust also adopted the Monitor risk rating system as an evaluation benchmark for old services, and a decision basis for the development of new services.

Accounting as a concept was further implicated in this study, as staff across the board, were increasingly required to undertake a comprehensive risk assessment to justify funding for any service development or project funding requests made to the trust board. Some of the participants compared the new process of decision making in their organisation pre and post FT, and they made the following comments on that basis -

*[…] I would say we put in more risk analysis now, but before it would have been more short-term and less emphasis on the longer term. We do a lot more scenario planning in terms of the future and more emphasis on two-year, three-year, four-year forecasting. At our board level, and even at levels below, we are always doing horizon scanning […] - (Dep. Director of Finance, Trust B)*

*[…] I think what I mentioned before about the carrot and stick, Monitor has ensured that this trust in particular has placed much effort and emphasis on really understanding where costs go and where income comes from and ......[…]- (Div. Finance Manager, Trust B)*

*[…]Yes in two ways. Firstly the fact that Monitor set their financial risk rating by reference to a comprehensive set of financial measures, it has really forced us to be very aware of this particular matrix, to ensure that when we plan, we plan to be a risk rating of no less than 4, and that drives us to ensure that all our financial plans are deliverable. Monitor has raised the profile of that aspect of risk […] - (Deputy CEO, Trust B)*

### 6.1.4 Motivation for FT adoption

Most of the participants agreed that there were benefits for the organisation, if they achieved FT status, although a minority were argued that the FT is a momentary political strategy of the labour party, which would soon be abandoned by another government. This is because their experience in the organisation has shown that most of the innovations seen in the NHS were deemed good and necessary at its initial conception but later replaced by another party with another seemingly lucrative reform. Some participants commented that some of the reform programmes abandoned by an earlier government regime for a particular reason or another were also being re-introduced by a new government and labelled as good and effective, such is the case of GP fundholding system in England.

Another line of argument made that evolved was about benefit of the FT reform to the later adopter. A few participants in Non-FT'A' argued that between the time that the FT status was introduced and their organisation's uptake, most of the benefits that came with the status originally had been eroded. This is because the benefits only acted as an incentive for the early adopters of the status, most Non-FTs are now able to access some of the FT benefits . The following comments were made to support the organisation's motivation for FT adoption -

*[…] I think the reasons to become FT have changed over time,, I think when people originally set out on the FT journey they received some financial benefits, but over the years they have been eroded as the financial regimes have merged or come together in some ways […] (Director of Finance, Trust A)*

*[…] In my mind there are no real benefits, changes or differences in the financial regime of an NHS trust. FTs have some perceived benefits, they can borrow, have you found a FT that has borrowed other than from the Treasury? Because the Treasury rules are so tight they can't go anywhere else.Tthey say FT can set their own wage rates, I understand there is one FT in the country that has set its own, which is Southend. Can you tell me another benefit that a FT has got different to an NHS organisation? […] - (Dep. Director of Finance, Trust A)*

*[…] I think the discipline of Foundation status was meant to be a good thing in itself. And it fits in with a lot of aspirations to become more business-like. And a lot of the stuff that Monitor does, the way they approach things seems to be much more business-like, much more structured in the way they go about looking at an organisation. So, in fact it fits into our overall aspirations anyway […] - (Clinical Director, Trust A)*

*'[…] it gives opportunities in term of financial freedom, working in a more disciplined way within the Monitor financial framework as an organisation […] - (Financial Accountant, Trust B)*

### 6.1.5 Effectiveness of the FT tool in Trusts

Particularly in the non FT organisations, the FT framework was perceived to be a very useful tool that sharpened the work process and the organisational, structure. This organisation, while in its non FT state, took advantage of implementing some of the FT financial techniques to refine its work process. For example, in addition to the FT assessment process, the organisation implemented the 'Service Line Management' (SLM), which is a tool used mostly by FTs, designed by Monitor and mandated for use in FT organisations only.

Service Line Management is a tool that allows the organisation's operations to be managed along its service lines. SLM was found to be more popular in the non-FT case study than FT status itself. Some staff within this organisation could not differentiate between SLM and FT status. SLM measures the efficiency of services along department/division/directorates in such a way that the organisation can easily know, which areas of their business are making a

profit or a loss, again this shows the relevance of accounting as a tool for control in the FT environment.

> *[…] I think FT is a good discipline because there are times when you know you need to do things and perhaps for some pressures it does not really happen when you are in the FT process, it ensures that you deliver on some of those things in a time and structured way. For me, the whole process of FT and the things you have to go through is good. The other thing is that it really tests the board and their understanding in terms of the Executive and Non-Executive Directors. It is about saying actually, are these people fit to do the job? As CEO and accountable officer, I think it is also good to get an external scrutiny on some of those issues and it tests yourself as well […] - (Chief Executive Officer, Trust A)*

Notwithstanding the benefits perceived about FT status, some participants argued that FT status did not bring any real change to the trusts They buttressed their point by citing examples of FT organisations that were currently undergoing financial and clinical crisis. These respondents also noted that the organisation's successful compliance with the adoption of FT, merely gave an external credibility to the organisation, and boosted the confidence of its staff and users, showing that the organisation was capable of conforming to government's standards.

### 6.1.6  FT status in the light of NHS political context

As mentioned in 6.1.4 above, the FT agenda was perceived to be political. The general consensus was that the NHS remained a highly politicised organisation, frequently used by various governments to appeal to and to win over the electorates. Several reasons were given for this, ranging from the mounting deficit that characterised the NHS dating back to the 2003/04 financial year, to the various reforms that led to the implementation of FT status.

Participants stated that the Labour government had used the FT agenda to win the support of the public; in order to emphasise that the government is committed to providing an efficient healthcare system in England. Some other participants commented that the government used the FT agenda to keep the healthcare providers on their toes, with a view to fostering a better service delivery and a more efficient healthcare provision to the public, given the financial investment made since the labour government came into power. The participants also made the following comments -

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*[…] I think that FT was introduced by the Labour government and there is a lot of political investment to ensure that FT is seen to be successful. I think there was a driver to actually devolve responsibility to the frontline. I think it is absolutely the right thing to do. Some of the early FTs probably benefit from the fact that there is a lot of political capital in FTs being seen to be a success and as a result of that some of the earlier FT got more benefits than might have otherwise been the case […] - (Dep. Director of Finance, Trust A)*

*[…] Hmm. I think the government got spooked when we all made deficits, didn't they? They did not like that - the NHS going into deficit. And so they wanted a system whereby they have more control of that. They also wanted to at least energise autonomous organisations and get people in hospitals actually working in a much more commercial sense. By commercial what I mean is thinking about the patients because that is what we are here for, but it is also thinking about how you spend your money. How you get your investment right, how you meet local needs, I think there was a whole raft of issues where they needed to get the public much more with health care, because they weren't winning the battle at that stage in terms of the public believing health was improving. So, I think it was one of those ways of getting a much more democratic hospital because that is what the Governors (elected to the board) were supposed to be. Local accountability, local democracy […] - (FT Director, Trust A)*

*[…] I am fairly sure if I were a politician and looking at the ever mounting costs of the NHS, I would be looking at any way of controlling it and one thing I would be absolutely certain about is that if you make an organisation a FT, that trust will control cost because that is the only way to survive […] - (Chief Nurse, Trust B)*

### 6.1.7 Trust's uptake of FT for Survival

The need to become an FT was linked to the survival of NHS organisations. This was an opinion expressed by the staff in the early adopter FT organisation, which adopted FT at the early stage of the crusade. This organisation is one of the highly rated NHS trusts in England, which was able to achieve FT status almost as soon as it was introduced within the first wave of authorisation.

Actors in this organisation confirmed that FT adoption was necessary to ensure the organisation's survival, however it was not the sole reason for their organisational success,

but it had contributed to their success in some ways. Becoming a FT to them meant cutting the red-tape involved in decision making, to pave the way to faster decision-making process.

In this organisation, the adoption of FT changed the face of the NHS for them; a number of the actors likened working in an FT environment to working in a private sector organisation.

> *[…] From my perspective in the work that I do, what I do, attaining FT status is important because there is more empowerment for the individual trusts and they are able to do more with their money instead of being overseen by another organisation. It has enabled trusts to be more in control of their own funds and they can invest and do all sorts of things that couldn't be done in the past. It has enabled trusts to become responsible for their spending because they have gained empowerment […] - (Treasury Manager, Trust C)*

> *[…] I can say that we are better off being a FT because it means we can react in a more individualistic way to situations without having to constantly go to departments and ask permission, but I don't really feel that it's impacting on me that much that I can give you truthful answer one way or another.  My gut feeling is that we'd be much better off being a FT, but if you ask me why, other than the ability to react as an organisation, say on an individual basis I couldn't say more than that […](Treasury Manager, Trust B)*

> *[…] It is very much like working in the private sector.  It is much more a private sector viewpoint. Things such as our working capital are very important.  If we don't get our income we cannot meet our financial obligations […] - (Financial Accountant, Trust C)*

It must also be stressed that from the perspective of the non-FT case study, FT adoption was neither a major priority nor the key driver for its work process. The organisation struggles to meet some of its key financial and clinical targets. FT was seen as another change that needs to be made as a requirement to remain in business, they lived with the fear of non-compliance with the FT rules, which may lead to being taken over by a stronger organisation.

Most of the participants believed that the organisation delayed applying for FT until a time they could no longer put it off. Hence, they embarked on the process despite their non-readiness. This was an expression from an Executive Director in the trust -

> *[…] Well certainly there is the option to delay, because we are the king and queen of delaying, we have been to the altar more times than Elizabeth Taylor.  But I think that*

*this is fast going to come to an end, however, from what I see there are 16-19 major Acute teaching trusts of which we are just one of them that actually are going to really struggle to meet the financial criteria laid down by Monitor [...]. - (Director of Finance, Trust A)*

Comment from participants showed that the adoption of FT in this trust was to satisfy the desire of the stakeholders; this included the government and the local population, as they could query why the organisation was not an FT.

*[...] The reason to become FT - certainly the first is to link in with the public. We set off last year with a range of what we call big conversation, which is talking to the public and engaging with them so we can actually get that benefit without being an FT. However, having been in an FT previously at De... and taking that one through to FT status I am afraid there is no substitute from getting out from under the SHA and DoH Radar [...] - (Dep Director of Finance, Trust A)*

The actors flagged a number of issues, which were of higher priority to the organisation than FT status. These issues included the achievement of its target efficiency savings, meeting its year end surplus target, sorting out its Accident and Emergency targets, and so on. Given the choice-less nature of the FT reform, the management of the trust commented among other things, that the addition of the pursuit of FT status to their stretched targets puts a lot pressure on the organisation -

*[...] Because this organisation has got no option, it has to either apply to become an independent FT trust or it gets taken over by another organisation, and it's very late in the process [...]. - (FT Director, Trust A)*

*[...] So I think the reasons for applying are now basically two, one is the link to the population we serve and trying to get some ownership and links out in the community; and the second one is to get some independence from the SHA to reduce some of the bureaucracy and the bureaucratic behaviour that we see operating from the DoH and the SHA [...] - (Div. Finance Manager, Trust A)*

In the non-FT organisation some of the staff expressed concern for the trust's non-readiness for FT rigours. They argued that a 'good non-FT would be a good FT and a bad Non-FT will only be a bad FT, notwithstanding the pressure put on the organisation. Further comments made on the subject included:

*[…] I have not seen any change yet. When we will become a FT, I don't know, I mean I think we are weak in finance, I think we've always been sort of financially focussed any way. At the moment I've not seen any indication of readiness […] - (Head of creditor, Trust A)*

*[…] The first and second wave of FTs, they were if you like…., maybe this is an unfair thing to say, but if you drew a distribution and I don't know how you would rate it, saying good clinically, successful, vibrant, the organisation that you may want to work for, they are the good hospitals, compared to the ones, which are less good. They have pretty much, a much higher proportion of what I would have recognised as the good, well managed, ambitious hospitals with good managers, good clinicians, forward looking clinicians, people that want to link resources to clinical outcomes, wanted to understand their cost base, wanted to do things differently and better and they weren't just prepared to wait and let things happen…… So you have the better hospitals, becoming FT and they were the ones that would have been better, whether they were FT or not' […]. - (Div. Finance Manager, Trust A)*

### 6.1.8 Divisional reorganisation and re-shuffle

In order to become a FT hospital, trusts must satisfy the various criteria as set out by Monitor. First they must demonstrate that they have a well constituted board. This was judged by Monitor based on the skill mix and coherence among members of the board. The trust must also show that it is capable of operating within the basis of freedom allowed for FTs. Opinions from the FT organisations revealed that there were a number of re-organisation programmes within the trusts, targeted to make the trusts fit into the structure required by Monitor for the purpose of attaining Foundation status. These steps are further discussed in 6.1.9 and 6.1.10 below.

Staff in the trust highlighted a number of steps taken by the organisation to comply with Monitor's requirements -

*[…] Recently they (Management board) got rid of one division, so that changed how we send out reports, we now send out by emails. The format (report) has been the same with little improvement […] - (Management Accountant, Trust A)*

In the Non-FT organisation the researcher observed the various changes to the organisation processes, as most of them were being implemented during this field work. The change

involved a series of restructuring of the hierarchy and departments, leading to displacement of staff, reorganisation of processes and redesign of departmental spaces.

### 6.1.9 Strengthening staff quality at Board level

In the Non-FT trust, several changes were made to the organisational chart; some Divisions were shut down, while some others were merged. Amongst the board membership, a couple of Non-Executive Directors were replaced; they were not only replaced, their replacements are people that had specific skills matched to Monitor's prescription. This is an action of the trust to convince Monitor that it has a well constituted board, as prescribed by Monitor. Comments made by some board members to that effect were -

> *[…] Well, we just got two Non-executives that we brought in, we specifically went for an extra Non-Executive, and so we have increased the number of Non-executives. We brought in somebody from a commercial background, so we have more hands on the board from a commercial perspective and then the other Non-Executive we brought has got a partnership background, working with a Local Authority, working with Regional Development Agencies, working with healthcare. So he is very strong on regionalisation and partnerships. Those two we felt we got in terms of strengthening the board. So, those two appointments were very important. We then got our barrister; we've got the accountant, and also the financial guy. So, I think we've strengthened the board with those two appointments plus one Executive as well […] - (FT Director, Trust A)*

> *[…] Okay, we have recently had two Non-executive Directors appointed with a very strong business/financial background, so we have been more focussed in the last few months on gaining that expertise within our trust board, in the Non-Executive element of the trust board. .....in terms of the Executive element we've always had a strategic focus so we have Strategy and Planning Director on the board, which is not usual in absolutely every organisation, is it […](Dir. Strategy/Planning, Trust A)*

The events leading to changes in the board membership was also recalled by members of staff in one of the FT organisations -

> *[…] Once again, there is a strong emphasis on having financial expertise in order to be on the board, so Non Executives particularly, have a broad spectrum. Generally there would be two or three with strong financial background and maybe one or two who have public health or general health background […] - (Chief Nurse, Trust B)*

*[…] This trust had a structure, which is similar to the current structure but I think what we have done over the last few years is to streamline some of the processes so that the Executive board really is the key decision making body from the executive perspective. With all the other committees on the side I think that the decision-making is much more streamlined than it was before […] (Dep CEO, Trust B)*

*[…] The whole trust was being restructured at the same time, so we did not have Clinical boards before FT. Now we have clinical board structure and we also drew leadership from medical staff for those clinical boards' membership rather than from managers. In doing the restructuring we allocated Senior Nurse to the Heads of boards, and then below them we had just the Matron's level and the Ward Sister […] (Directorate Manager, Trust B)*

### 6.1.10 Staff redundancies as Trusts journey to FT Status

Staff redundancies were witnessed amongst the middle to lower level staff in large numbers in trust 'A'. This started when all personnel (Clinical and Non Clinical excluding the board members) in the trust were requested to reapply for the jobs shown in a newly designed organisational chart, as all posts were deemed vacant. Therefore, they were re-interviewed for their jobs, with no guarantees of any sort; the displaced employees were encouraged to apply for other available jobs and where they could not be re-absorbed, they automatically became redundant. Some participants' highlighted some of the challenges faced during the period in the following comments -

*[…] We've just gone through a 'management of change' and I think that the management of change has been done on the basis of what we need now and what we need in the future and if FT hasn't been taken into consideration, then, that's worrying ………… I am sure it has been. I know it has been from my view […] (Dep. Director of Finance, Trust A)*

*[…] I won't to say it is the individuals, it is the role itself, they have changed and if that individual does not have the skill for the new role, that is why they don't fit in anymore […] - (Div. Finance Manager, Trust A)*

*[…] Yes, we have let people go and there have been some redundancies […] (Director of Workforce, Trust B)*

*[…] The change has been focussed on the three triangles and as a result some people are displaced […] - (Dir. Strategy/Planning, Trust A)*

*[…] When I got here there were 4 Heads of Nursing and there are now 2 Divisional Nurses and neither of those Divisional Nurses are my Head of Nursing. The big change is the Matron, when I got here there were 18 Matrons, we only appointed 2 in Medicine and 4 in Surgery from those that are already Matron. We have just been out to advertise to recruit the other. So dynamics to that population have changed completely. That has not been easy to do. Without doing it, we cannot deliver the agenda, because we don't have the people with the right drive to want to change the way we deliver Service of Care and without that we can't have SLM […]– (Chief Nurse, Trust A)*

*[…] Most of the members of my team failed, I did not employ them, I have only been here 6 months, so everything is changed, people are being moved around […] - (Clinical Director, Trust A)*

*[…] It has been a terrible few months, I have lost most of my managers and most of them are demoralised. That is what you get when you do management of change, you get management time and time again bringing performance issues, where everything falls; it is really difficult, very demoralising. I think the trust did the right thing, I knew this would happen, but the trusts wants to force things to fit the same […] – (Directorate Manager, Trust A)*

The major point for consideration among the actors was whether the staff displacement and redundancies were as a result of the FT implementation, or not. The majority of the respondents affirmed that it was, but, on the contrary, amongst Senior Management cadre, the redundancy effort was explained as what any normal, efficient organisation must do to remain competitive, with or without the FT drive. A majority of the respondents assumed that the redundancy incident was one of the FT pre-requisites, which the trust must implement to prove itself worthy of the FT status to Monitor. The Director of Strategy in this organisation referred to it as an 'underlying factor' -

*[…] The move to FT is an underlying factor, not a dominant one, the drive is the knowledge of corporate/executive that we need to seriously look at everything we do and we need to challenge ourselves around what we do in the future […] - (Dir. Strategy/Planning, Trust A)*

### 6.1.11  Board Training ahead of Board to Board

In addition to reorganisation of divisions, the Non-FT organisation embarked on several days of training for the board members, titled 'Board Time Out'. The essence of this programme was to coach the board members about the FT process and to ensure that they have a full understanding of the trust's current financial and management situations and its strategy for the future. As this understanding would be put to test by Monitor in a board-to-board challenge, the board's success or failure to display the required knowledge would determine whether the trust was suitable to be licensed for FT status or not. One of the key staff that was involved in the process highlighted the importance of the board time out for the organisation -

> *[…] On the Board Time Out strategy- I guess every appointment has a degree of understanding about the technical elements of finance and our financial position. So, even if it is not directly in your role, I think the FT preparation has certainly brought it out to the fore, so that anyone of the Directors could answer financial questions to some degree. I think that is what it has done; it has spread understanding among the top teams without a doubt […]. - (Dep Director of Finance, Trust A)*

The principle of board time-out was useful and acceptable to the FT Regulators, however observation showed that the board time-out was not a routine event in the calendar of the trust, rather it is a strategic training dedicated to crossing the FT board to board hurdle. The programme was being used as a form of gaming or board manoeuvre. Comments from staff about the board time out revealed that the trust was using it as a training forum for the non-executive members, in particular, and a few weak executive members of the board, who lacked the requisite levels of knowledge about the trust's business as demanded by Monitor.

Some of the activities in the board time out sessions, included various presentations by internal staff and external consultants, tailored to simulating a 'mock' board challenge. This was done to prepare board members for the time when they would meet Monitor's board for the real board challenge. The essence of the board challenge was to test the trust board's knowledge of the trust's operations, covering their skill mix, strategies, finance, and estate plans. Members of the trust must be jointly and severally prepared for any question that could arise. Some of the explanations given by related staff on board time out were -

> *[…] Board Development - It's about looking at the skills and, you know, if there are any gaps in their (board members') skill and then trying to fill in those gaps. It's about educating the board members a little bit about the areas that they are working*

*in. Just the same thing about the financial skills, management skills, more management skills and that's what it is […] - (Dir. Human Resources, Trust A)*

*[…] I think one of the biggest thing that the FT regime focuses its mind particularly on are the Non-Executive Directors, in that they will have a lot more responsibility and accountability and through the application process, they will be subjected to some rigorous questions. They have got to sit across the table with Monitor to answer the difficult questions, and I think that is also true about the Executive Director. If one has to look at other organisations, the type of Non-Executive Directors that come into FTs, they need to have a lot of experience of working in lively organisation with tight governance […] - (Dir. Human Resources, Trust C)*

### 6.1.12 Internal powers and Actors' perception
- **The Experience from Non -FT Case Study**

All the participants in the Non FT case study recognised that the flow of information within the organisation, especially between the different groups of participants, was crucial to facilitate the smooth implementation of the FT process; Most of the actors, particularly at the Non-FT organisation's middle to lower cadre, agreed that the flow of information regarding the progress of the FT application was often patchy. This refers specifically to information flow from the Management cadre to the other staff levels on the subject of FT status. This marked out the power of the management to make changes without informing the staff and no one could query their judgement on this.

Poor information flows were reported between the Senior Executives and their Divisional staff, this information gap was also blamed for the limited staff engagement with the FT implementation process. The perceived poor information flow was described mainly in terms of its content inadequacy to give a robust understanding to staff and also its late timing among participants. Staff (from both the clinical and non-clinical Divisions) at the lower levels of the structures showed a very patchy knowledge of the progress of the FT application as shown by the following comments -

*[…] Anyway, I cannot say. Since I've been here- (over 6 months), I probably had 1 or 2 conversations about FT status. I saw one or two communications when I joined by way of induction. You know if somebody asks me the question now or may be later on. Where are we in the FT application? Are we doing ok or what? I wouldn't really be able to answer […] - (Div Finance Manager, Trust A)*

*[…] I cannot remember anything (About FT) lately; maybe they might have talked about the process, but not actually how the process is going […]. (Management Accountant, Trust A)*

Staff were also asked if the issue of FT was being discussed amongst their peers, in terms of updates given within their departments or in meetings, or by emails and web shots on the organisation's intranet, the following responses were given -

*[…] No! FT does not come up as part of our discussions […] - (Div Finance Manager, Trust A)*

*[…] I don't know anything about it, it's been more of the management and not down below […] - (Payment officer, Trust A)*

*[…] I don't think there has been an update on FT for some time, so I think if you just go out there and do a survey of how many people thought we are even working towards it, you will probably have a fairly slim answer in terms of not many people will think we are working towards it […]. - (Dir. Strategy/Planning, Trust A)*

*[…] I don't think it's discussed that much (among staff). I suppose, yeah, I wouldn't say this is why they lack an understanding of what being a FT really means […] - (Dep Director of Finance, Trust A)*

*[…] No updates, but it is on the web site, I read about it when I was going to be interviewed […]. - (Management Accountant, Trust A)*

*[…] I don't think we fully appreciate what difference it will be for us and I think at the moment we are also busy. We just tend to focus on day to day, we don't think of what happens to the future. I don't think the staff will appreciate the changes […]. - (Head of Creditor, Trust A)*

*[…] Top down communication - No. I don't think it is. I think they are trying to put it in place. If somebody joins the organisation, they get a letter saying you are part of this organisation, which is about getting the FT status. I think it is almost procedure driven, you get a letter but whether that person understands anything about FT., There's nothing really in the induction that tries to explain - this is what FT status is about, this is why we would want to do it, this is why it will be good for you as an employee. That is so tough, people know at the back of their heads, but they don't really know anything about it. They know that's what the ambition is; they know*

*they've had a letter from Julia saying you're important to us on this journey. I think that is all it is. It almost because it's been seen as how can we communicate to all, we send a letter out, but it doesn't necessarily gets the message across [...]- (Div. Finance Manager, Trust A)*

The Senior Management group expressed the notion that there was no need to inform the lower administrative and clinical staff about the progress of the FT application, since it had nothing to do with their day to day work. There was also the thinking amongst the Management cohort that lower level staffing personnel did not care about the information. Hence, they would be less interested to share any information with colleagues, as expressed below -.

*[...] I think that the staff on the front line don't care, because they don't actually identify with the organisation, if you talk to them, they identify if their ward, their department and perhaps their speciality. They just do not see, if you ask them where they work, a lot of them will tell you they work at xxxx Infirmary or the xxxx Hospital. They won't say they work for the trust because that is just not the way [...] - (Director of Finance, Trust A)*

*[...] Again I come back to my previous point, which is that most of them don't care. Those that understand the implications of being an FT once it's explained, I find generally they are supportive, but for the frontline staff it seems irrelevant. I think you would have to drill down the organisation until people are saying Why? Why bother? What's it going to mean to me and what benefits will I receive?, and the short answer to that is, it's not [...] - (Director of Finance, Trust A)*

*[...] I am not entirely sure I want them to know about the FT application. What I want them to know is the benefit to them as a member of staff and that is where we need to concentrate our effort and not for every member of staff to fully understand the integrated business plan and that is not going to happen [...] - (Chief Executive, Trust A)*

*[...] I know, they (Lower level staff) have a low level of details, hardly any detail really and I think the message coming back is that people are confused, not about the fact that one day we will be FT, but they haven't got a whole lot of information about what's happening.. The way we have developed our approach has tended to be by being at Executive/Strategic level, I'm not sure we have got the benefits of the*

*integrated business plan converted into a language that front line staff necessarily understand […] (CEO, Trust A)*

*[…] I think most of them (Lower level staff) just wanted to do the job and go home at the end of the day. They do the best they can do. FT information won't really make that much difference to them on a day to day basis […] - (Director of Finance, Trust A)*

- **Information Exchange: The Experiences from the FT Case Studies**

It is useful to review the experience of the FT organisation on information and to compare with that of the non-FT case. This study showed that the FT case study's experience at the time of application appeared to be different. There was adequate information circulation from the top level to other staff levels. The information was also considered adequate, and participant's opinion showed that they were well abreast of the events; some of the quotes portrayed the experiences thus -

*[…]Absolutely! Our trust was one of the first FTs. There was phase one point one I believe, and as part of this there was a heavy emphasis on communication within the organisation. We had a whole project team focusing on FT status and every single person along the line of Clinicians and Management was involved in that process,. A web site was set up and there were lots of road shows. There was a huge amount of communication, particularly around getting people involved in becoming Governors and also staff and clinical representatives and that required a lot of communication […] - (Directorate Manager, Trust B)*

*[…] Everyone was aware that we were applying for it. One of the things about this trust is its very strong communication process and everybody knows we were applying for it. That was about the level that people understood. The CEO is very good at explaining this type of things to as many people as he can, although the detail didn't get transferred because people had no idea about that. He explained the understanding behind it and the opportunity associated with it. I think the emphasis was always on the opportunities that it presented to us […] - (Chief Nurse, Trust B)*

*[…] Anybody just working on our side (Department) was not really involved in the transition. Information would have been passed down that becoming an FT was the way forward and we would have been notified of the name change. As far as we were*

*concerned, it was just a name change. Particularly, in those days I was not involved with cash as I am now [...]. - (Official, Trust B)*

*[...] Even though, I was not part of the team involved but I was aware of its progression because I was part of the Finance team and the trust was keeping us informed at the time and I knew that we were having to produce financial information to various bodies for the FT status, so that was my awareness [...] - (Treasury Manager, Trust B)*

One of the key staff who participated in the FT implementation process at the FT organisation elaborated on the level of information made available to staff within the trust at the time. This confirmed that staff were given enough information about the change without being overloaded with the day to day operational detail of FT, thus -

*[...] I think they knew…. but probably only limited to the knowledge that we were going through the process, but they did not understand what that process would be in detail [...] - (Official, Trust B)*

### 6.1.13  Communication and Interaction at Board level (Non-FT Experience)

The nature of the information flows among the top level management staff appeared to be good, up to date and clear; this was agreed as necessary, because decisions on the FT implementation, and the compliance framework were the primary responsibility of the Senior Management staff. General opinion regarding this issue included -

*[...] On Communication and Understanding at the top level - we have done a lot of development like the seminar; the board seminars, they are development sessions for the board. What I do is - every step takes six months and if I, take the IBP and use the IBP as the key document. Mr A would take the LTFM and report back to them every six months. And we keep them briefed in term of what SHA is saying [...] - (FT Director, Trust A)*

*[...] To be honest with you, I am not as worried. At the top management, we have the right level of debate, people have a good understanding,. You know when we are going for FT, obviously we did a lot of prep, getting all the details . I am not worried that people don't know about some pages in the financial model. Obviously if you have not read it for a while you may not know what is on page.....28 or something, you need to remind yourself, we all need to do that. I think in terms of understanding, it is not perfect, but I think it is in a reasonable place [...] - (Chief Executive, Trust A)*

*[…] First of all I don't know how much staff understands about FT status. Any change that will come, has to filter down through the management, it takes quite a while and whether they actually notice any changes. I don't think there would be significant change to the way they do their job […]. (Chief Nurse, Trust A)*

### 6.1.14 Inclusion of the Public in the Trust Board

Local accountability was one of the major reasons for introducing FT status in the NHS. It was promoted by the government to ensure that FT organisations are held accountable by their local communities and for the members of the community or the public to have a say in the decisions being made by their local FT, hence, the need to conduct a public consultation ahead of FT authorisation.

Public membership is one of the mandated conditions for FT status approval. The trust boards in this study therefore each held public consultations on the subject of their FT application in their localities, after which members of the public were drafted to the board, as mandated by the FT assessment framework. The following comments reflected trust's opinions as they seek audience with the public and what they made of the requirement to consult the local communities -

*[…] FT takes a lot of people liaising with the local population, writing reports and so on, it takes a lot of manager's time, and at the end of the day the nature of what they do has not changed workload wise. You get more people checking that Monitor is happy, and the local population know what is going on […]. - (Chief Executive, Trust C)*

*[…] Certainly, the first one is around links in with the public. We set off last year with a range of what we call Big Conversations, which is talking to the public and engaging with them so we can actually get that benefit without being an FT […] - (Director of Finance, Trust A)*

*[…] FT has brought very little change to our work, other than a structure and constitution for engaging the public that we don't have and we can't create as an NHS trust […] - (FT Director, Trust A)*

The researcher observed that the public consultation process was a major burden on the trust's executive and compliance was only ceremonial, while the study participants were reluctant to openly admit managerial manoeuvres engaged to secure the tick on public

consultation compliance, one of the actors admitted the exclusion of the board of governors in meetings.

> *[…]…..but it's one thing to have a Consultation Document that you publish and consult staff and the public on, but it's quite another thing to see what the changes mean in practice […] - (Directorate Manager, Trust A)*

> *[…] The actual FT framework is quite attractive at the technical level of doing things efficiently and effectively, understanding what your costs are and understanding what your income is. The softer side in terms of the engagement side, frankly for me ….I am not really convinced that the membership has that much of a voice and I am yet to be convinced. …..I am not just convinced that the public membership and the boards of the FT (that's for me) really works that well. More of the board meetings are held in the public and I think that is what we have noticed - we have our board meeting every month in the public. Okay!* **There is the closed section after it, why is the other board meetings in private?** *[…] - (Directorate Manager, Trust A)*

It was also admitted that there are positive side to the admission of the public within the board. Some participants from the FT organisation acknowledged that the inclusion of the public to serve within the trust board as give them the benefit of easier access to public opinions. There are instances where the board Governors had been used as a sounding board for new initiatives, to reflect what patients want.

> *[…] I think we would perform reasonably well, as a board, that is cohesive, who understood the issue, not complacent and the Chairman is absolutely clear about the transparency and openness of that process. We have good public challenges within our board meetings, we have a good relationship with the public representatives who attend the meeting, how representative they are is opened to question,. If you look at the level of question from the public and the level of accountability of the board, the type and responses we make,  they are grounded in a practical reality about patients and services, it is not ground statement about financial performance above everything else […](Chief Executive, Trust B)*

> *[…]… because I attend internal performance meetings and there are a number of committees where Governors are involved and are either there as Governors or chairing these meetings.  I have come across one where we were talking about access via a contact centre and how long it takes to answer calls and so on and our*

*Governors were becoming more and more interested in the reasons why calls were taking so long to be answered or how they could be improved. So I would say that the Governors were much more involved [...] (Directorate Manager, Trust B)*

Some of the participants considered local accountability and public engagement as a mere facade within the trust's operational framework, especially the inclusion of the public in board meetings. The trusts engaged in many public meetings to demonstrate their engagement with the public; some referred to it as a mere box-ticking exercise, because the board took all the vital decisions that affected the operation of the organisation with little or no input from the Governors. When participants were asked if they knew any member of the board of governors, no one was able to identify any. This is an evidence of no active relationship outside the board's sphere.

### 6.1.15 Attaining FT status as a Badge of Honour

The general attitude of trust management as they pursued FT licensure was found to vary from one trust to the other. In the FT organisations, the attitude of management and staff was more business oriented, as becoming an FT to them means taking control of the organisation's destiny, securing the much desired freedom from the bureaucratic control of the DoH and the CCG, and operating under an air of innovation and self-regulation. Hence, the participants from the FT organisations attributed FT status as a major success factor in their attainment of a clinical leadership role in the NHS.

In the Non-FT organisation, participants attributed FT status to a symbol of class, in order to possess a sense of belonging and relevance to the sector. Across the staff hierarchy similar indications were given as shown in the quotes below -

*[...] We have to make sure that we are not lacking behind. If you are surrounded by FTs and you are not an FT, I don't think it is a place you want to find yourself [...] - (Chief Executive, Trust A)*

*[...] We don't want NOT to be an FT. I suppose it is the key motivator, we don't want to be left in the group of organisations that can't achieve it [...]. - (FT Director, Trust A)*

*[...] I think its two things; one is a status thing, in terms of how it is perceived outside and that in itself is a 'badge', you know, From that point of view, I think the issue is then becoming a FT becomes a status symbol and a badge of honour so that you go for it at all costs. I hate to mention this (laughs) but it seems to be, the*

*evidence is suggestive of what happened at Midstaff[2] Hospital […] - (Chief Nurse, Trust A)*

*[…] The status itself, it implies FTs as a type of an organisation, the title implies a level of competence to my mind. I think an FT label is an important one, it's important to have, because it implies that you are functioning as a business, you have an outside regulator that is assuring that all is right . There are still things that can go wrong but actually my perception of this is that FT boards operate at a slightly higher level and have more drive integrity […] - (Dir. Strategy/Planning, Trust A)*

*[…] I guess because it was seen as a badge of quality and badge of achievement really for all trusts in England, it would means that your standard and quality around financial management and delivery of service were at a particular level, so we wanted that badge […]. - (Chief Nurse, Trust A)*

*[…] If you are not a FT. Why not? It is because you are not very good to become FT, so everybody has to be seen to be good to become a FT […] - (Div. Finance Manager, Trust A)*

*[…] In the NHS at the moment all organisations are actually moving ahead towards that (FT) and so we are as well and it also gives much more autonomy, that is what I understand, So that could also be a reason I guess. And another thing is it looks good, you will want it, you know - the elites. Competing to be the one of the best that's just it […] - (Directorate Manager, Trust A)*

### 6.1.16 Creation of a Two-Tier NHS

The FT reform was implemented in phases, whereby trusts applied for the status at different times, as soon as they are ready to go through the assessment framework. The provider sector presently has a pool of organisations where some are Foundation Hospitals and others are Non Foundation Hospital. This class distinction was tangible amongst the actors. Being a Foundation Hospital was percieved as being in a different class within the NHS; some actors referred to it as an 'Elite Club' within the NHS. From observation, it was obvious that the

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[2] Midstaff Hospital is an FT organisation being investigated under the 'Francis Inquiry', following reports of massive failings in the standard of care leading to several deaths. The Inquiry concluded that 'a number of the deficiencies at the Trust had existed for a long time. Whilst the executive and non-executive Board members recognised the problems, the action taken by the board was inadequate and lacked an appropriate sense of urgency' the inquiry has however given a number of recommendations to help the entire healthcare system.

actors generally perceived themselves in the light of the organisation's status, demarcated by the Foundation Status. The following quotes were given in the light of this assertion -

*[…] I think there is a fundamental different feel between organisations who are non-FTs and those who are FTs. There are the constitutional obligations around members, Governor and governance and accountabilities through to SHAs for NHS trusts and not for a FT. There are financial freedoms, loans and the ability to invest etc that can be done in a FT. The expectations around FT and risk ratings, [mobility] the need to have surpluses and there is also the culture in the organisation. It feels like it is standing on its own two feet […].-(Dir. Of Workforce, Trust B)*

*[…] I wish we were free from regulations. We are still subject to all the regulations of the Care Quality Commission and all the clinical regulations remain the same. It is more a question about the line of accountability. We do not have the same line of accountability to the Strategic Health Authority in the same way as non-FTs do and so the SHA is less intrusive with us than they would be with a non-FT hospital on matters of performance. But we are very aware of our responsibilities for Monitor and we take those very seriously. That does not feel like non-regulation. The freedoms for us are around the financial flexibilities around things like properties, (which can be sold to raise funds), borrowing and the ability to raise money in a way that we choose. But it's not a freedom from regulations […] - (Medical Director, Trust B)*

*[…] Clearly there is the autonomy associated with managing your finances in a different way. You are regulated by Monitor and allowed to compete on a more commercial basis than, say, your standard non-FT would. That's my understanding of the benefits […] - (Chief Executive, Trust B)*

*[…]The consistency with which performance must be grappled, FT deals with the issues more immediately, on financial side, the FRR gives a continuous assessment of how the trust must be performing across a wide range of metrics while the Non-FT are focussed on a narrow range […]. – (Financial Accountant, Trust B)*

*[…] I can say that we are better off being a FT because it means we can react in a more individualistic way to situations without having to constantly go to Departments and ask permission, but I don't really feel that it's impacting on me that much that I can give you truthful answer one way or another. My gut feeling is that we'd be much*

*better off being a FT, but if you ask me why, other than the ability to react as an organisation, say on an individual basis I couldn't say more than that[...] - (Chief Executive, Trust C)*

### 6.1.17 Protection of Core Services from FT reform

Implementation of a major change such as the FT was one that affected all of the organisation's processes and structures; this was projected to create a notable shift in its core services. In all the organisations, participants reckoned that the change in status made little or no difference to the trust's core services. Amongst the staff, the clinical staff especially noticed no major change to their work.

Staff asserted that the routines on the wards remained the same, except for changes in the organisation's structure, which was predominantly an administrative function, core clinical functions remained the same. Comments from staff in both Foundation and Non-Foundation organisations highlighted the following -

*[...] I can't see any impact directly linked to FT in our service deliver. That was always the big worry when FTs first got established as it nearly got dumped, the whole concept, because there was a cry to say show us what benefits it ha., People were really struggling to find the real benefits., We sort of cobbled together one at Derby! It was about faster decision making, which was sort of true, only that we made the decision before we became an FT, but we brushed over that bit. Very difficult to find hard concrete service deliverables that are a direct result of FT status [...] - (Chief Executive, Trust A)*

*[...] I think we would have been doing the same things as if we were a trust. The vast majority of work is about delivering health care really well and that would be the same whatever the status. We are doing it within our means; we are serious about governance in this organisation [...] - (Dir. Of Workforce, Trust B)*

*[...] The question is, does it give you a practical advantage? I am not sure nowadays it gives..... Typically when you look at what is happening in Stafford and other FTs, they feel equally and fantastically as non FT's. I think literally it's a badge to me; it isn't more of a status [...] - (Dir. Strategy/Planning, Trust A)*

*[...] I think by business service, you mean clinical services. I don't think there is evidence that it has happened yet - Impact of FT on trust's operation - I can't say I have observed any [...] - (Dep. Director of Finance, Trust A)*

*[…] I don't really think our business priorities will have to be any different,. At the end of the day, the clinical services you need to provide must be a really good and safe clinical care  Patient safety will have to be on top of the agenda of the clinical services. Now clearly that is a good business model to have as well, we are a hospital, if that is not part of the philosophy then you should not be in this job, whether you are FT or not […] - (Chief Executive, Trust A)*

## 6.2    Summary

This chapter described the output of the first stage of data coding using template analysis, extracting relevant open codes, which resulted from the respondents' opinions about the subject of this study. Direct responses from the interviews were aligned with the research question, from which a total of 376 open codes were gathered. It was further streamlined through the use of thematic synthesis approach, which delivered the 17 themes described above, representing the first order construct of this study. Following the open coding process, the next stage of the thematic analysis was applied; this resulted in the formulation of the second order construct of the research. The second order construct is the main discussion in the next chapter.

# Chapter Seven

## Development of Core Themes

## Introduction

This chapter presents the final segment of the data analysis, which began in the last chapter, with the adoption of the template approach for code classification, which resulted in the first order construct and now followed in this chapter with the use of the thematic synthesis to generate the second order construct. The first order construct, which were predominantly the codes identified as relevant to the study from the actors' perspective highlighted in Chapter Six, were processed further to produce the second order construct, which composed of the researcher's inference, based on the knowledge gathered from literatures, field observations and experience in the healthcare field.

The core codes identified in the last chapter were found to be actively related either directly or indirectly to the focal code pinpointed in this chapter. This chapter involved the use of an abstraction process as enumerated in 4.4.2; this involved the grouping of different codes into themes and sub themes. Through the continuous moving forward and backward between different codes, the literature and earlier analysis, in-depth interpretations were identified, to build elements of explanation, which could not be easily articulated by the participants, given the complex nature of the FT status phenomenon. The main goal was to discover what made this phenomenon what it is, the absence of which will make it impossible for it to be what it is (Van Manen, 1997).

This chapter is organised as follows - Section 7.1 discusses the thematic synthesis, which essentially was the creation of themes derived from the state of affairs or circumstances within the organisation, its varied connections and the outcomes. Sections 7.2 present the main or focal theme for this study - Struggling for Compliance, which was the product of the abstraction process as highlight in 4.4.2. Sections 7.3 highlight the interconnectivity of the actors, which was illustrative of the central theme. Sections 7.4 and 7.5 present the circumstances and outcomes of the actors' interactions, within their connection framework. Lastly, Sections 7.6 present a thematic construction for this study depicted in the theme of struggling for compliance.

## 7.1    An overview of Thematic Synthesis

The process of thematic synthesis was found useful in this study for the purpose of connecting data to its interpretation. Basically it is a tool that generates themes in the data

analysis (Daly, Kellehear and Gliksman, 1997). Themes capture the important elements of the data within the context of the research question and they present the pattern of responses and meanings buried within a data set (Braun and Clarke, 2006). Through the process of thematic analysis, qualitative data is encoded, and thus the researcher develops word or phrases as labels to distinguish each level of the data.

The output from the analysis was further blended to produce an interpretation, showing the relationships within the data. In this analysis, after labelling the various codes obtained from the actors, referred to as the first construct, the researcher identified the relationship between these codes. This was through a process of abstraction. This formed the basis of the data interpretation process, which involved a comparison of lines of the same codes across the three organisations that took part in this study. This comparison was the main check for an understanding of the variations and similarities between the different organisations, and when layered with the timelines and contexts, answers were provided to the research questions.

The abstraction process was followed by synthesis and theme development. The main objective was to identify the main phenomenon, in the absence of which other themes would become irrelevant or even impossible, to generate. The main phenomenon referred to the central idea or pattern of events, actions or behaviours and interactions associated with a specific circumstance or context.

The prior analytical processes in this study largely influenced the way the thematic synthesis was employed, rather than by the components of the framework itself, the study was primarily driven by the data. This is shown in Sections 7.2 to 7.6 below. The seventeen categories defined in Chapter six were absorbed into nine main themes through the process of data synthesis and theme development. Table 4 below shows the conceptual categories that were put together to form the nine main themes. The Table identifies the main theme of each category. It must be noted that the main theme of this study was an output of the synthesis routine, hence, it became the focal theme, shown as the first theme in the table, and without this focal theme all other themes would be irrelevant. In fact, to a large extent, other coding categories had a bearing on the focal theme. It should also be noted in addition that some of the coding categories were implicated in more than one theme.

| Reference | Themes - (Second Order Construct) | Coding Category - (First Order Construct) |
|---|---|---|
| 7.3.1 | Struggle For Compliance | • Trust's uptake of FT innovation |
| 7.4.0 | **CASE STUDY INTERACTION FRAMEWORK (Regulator's Action)** | |
| 7.4.1 | Emergence of Complex Rules | • Establishment of rules and mandatory assessment framework |
| 7.4.2 | Advancing a Rigorous Framework | • Accounting as a driver for Accountability<br>• Risk Assessment in Service development<br>• Motivation for FT adoption<br>• Potency of FT tool in trusts |
| 7.4.3 | Linking Accountability Agenda | • FT in the light of NHS political context |
| 7.5.0 | **REACTION FROM TRUSTS** | |
| 7.5.1 | Diffusion of Uncertainty in organisation | • Creation of a Two-Tier NHS<br>• Internal powers and actor's perception |
| 7.5.2 | Establishing Legitimacy | • Divisional reorganisation and re-shuffle<br>• Staff redundancies as trust journeys to FT<br>• Communication and Interaction at board level |
| 7.5.3 | Management manoeuvrings/Games | • Strengthening staff quality at board level<br>• board Training ahead of B2B<br>• Inclusion of the Public in the trust board |
| 7.6 | **OUTCOME OF INTERACION** | |
| 7.6.1 | Organisational Business Planning | • Protection of Core Services from reform |
| 7.6.3 | Inter organisational Behavioural Effect | • Attaining FT status as a Badge of Honour |

Table 4- **List of Themes and Categories**

## 7.2 Putting Foundation Trust Status in Context

The government under the Labour regime introduced the FT status with the objective of devolving power while creating local accountability within the NHS. This was rooted in a requirement for all healthcare provider organisations- Acute, Mental Health, Ambulance and the Community trust, to seek a new status, which breaks their attachment to the government and make them accountable to the local population they serve instead. Hence, the management structure of these providers changed to accommodate duly elected members of the public as Governors serving in their trust boards. The government appointed and relinquished its controlling power to Monitor, who became responsible for the assessment, authorisation and eventually regulation of all trusts that qualified as Foundation hospitals.

With the creation of Monitor as the independent regulator of FT Hospitals, all trusts were mandated to apply for the FT status, which would enable them to operate as a FT Hospital, thereby conforming to the accountability objective set out by the government. In return for the compliance, these organisations were offered new powers, freedoms and benefits, which they had not previously had.

Given the benefits offered by the status to organisations that are able to comply with the accountability and governance arrangement put forward by the government, many of the organisations signed up for the rigour involved in the authorisation process to become FT organisations. The full detail of the assessment process has been discussed in chapter Five.

The FT assessment process is a journey taken by organisations on an individual basis, where each organisation applies to engage in the process when ready. The application batches were denoted with the word ''Waves''; the first set of trusts to become FTs were called the first wave, then the second wave and so on. This study sought to understand the implementation of FT status, which is still on-going, over ten years after the first wave of FTs were authorised.

The process of structuring the research data into themes enabled the central phenomenon, to be located within the study. The central phenomenon refers to the central idea, which interacted with other patterns of events, and incidents encountered along the pathway of the FT implementation process.

## 7.3.0 The Central Phenomenon

The main theme or the central phenomenon, to which all other main categories were linked to form a descriptive whole in this NIS study emerged from the data categories as shown in

Appendix (II), and it was defined as a 'Struggling for Compliance'. The process was by abstraction of the free codes to identify the first and second construct of this study. The main theme was produced by the stage four of the data analysis process explained in 4.4.2. All the other themes identified in the course of thematic synthesis relates to the core theme of struggling for compliance.

### 7.3.1 Struggling for Compliance

NHS organisations had a mandate to become Foundation Hospitals within a stipulated time frame, by applying through Monitor's assessment framework. The trusts took various steps to become eligible for the FT status, hence, the actions taken by each organisation differed one to the other, but a common thread was observed among all the organisations that participated in this research. The common ground includes a reorganisation of divisions, the introduction of change programmes, loss of staff both at the top and bottom cadres of the organisation, recruitment of staff specifically with a finance background both at executive and non-executive levels and various managerial manoeuvres, including use of power to manage flow of communication to staff .

Participants in the FT organisations confirmed that at the time of their assessment to become a FT, many colleagues were displaced and some were adjudged not suitable for the new working environment. At the same time, new employee were recruited, who were better qualified and, in some instances, possess 'private sector' experience. The FT process also witnessed the re-organisation of divisions and departments within the trusts, including actual space reallocation to move teams together, which had hitherto been separated in order to reflect the new organisational structure.

In view of the divergent reorganisation, a mixed perception was evident from one trust to the other. Actors within FT organisations confirmed that information dissemination was adequate and timely for them at the time of their FT application process and that they had been adequately updated about the trust's progress in its bid for FT. Some other staff confirmed that they were not only informed about the process but also actively participated as members of the central team who were responsible for the supply of information and the documentation of evidence required in facilitating the FT application.

Staff in the early adopter case study knew much about the organisation's plan, which had been well explained to them from the angle of what the organisation stood to gain, if successful in its FT bid. Some of the employees were not fully convinced of the benefit of FT

at the time, given their experience of several reforms in the NHS, which they considered were merely driven by politics, and will soon fade off without accomplishing any major change. This was especially the case in the non-FT organisation, and it is fair to state that actors in this trust had little or no knowledge about the FT process. As a late adopting organisation, the aim of FT remains unclear to them, this was further aggravated by the poor communication in the trust.

The Deputy Chief Executive in the early adopter organisation did acknowledged that staff in the organisation had been given only information found relevant to them, a general idea was fed to the staff from time to time, but this update appeared sufficient to carry the staff along, even though the level of information available to them was nothing as comprehensive as that, which the board had to grapple with.

For some of the central facilitators of the application, the most challenging part of the process was the inclusion of the public into the board, where they had to co-opt new members to the Governor's board by election, after a period of public consultation, which involved many public meetings. They had to physically meet the members of the public, in some cases in out-of-office hours, mostly in locations outside of the trust but within the local area, such as in the town halls, these also added to the rigour of the FT assessment.

Another Chief Executive described the rigour to become FT as strenuous and at the same time found the benefit offered by the status as worthwhile for the organisation, as it is now able to operate without the incursion of the government, breaking out from the bureaucracy of the Department of Health to hold its destiny in its own hands as an organisation. This submission was reflects the government's plan when FT status was introduced - to make the NHS organisations engage with the public they serve and to give the public a voice in what the NHS does.

This study explored the FT process through which organisations within an institutional framework were mandated to comply with a new organisational form, having specific requirements, which culminated into adopting the FT innovation within the health care sector, in spite of individual organisational challenges. The institutional arrangement required a mandatory compliance to the adoption of FT status without any alternative. The challenging position of the organisational actors and their resolve to comply with the FT requirements in order to conform to the institutional dictate was referred to as 'Struggling for Compliance'.

Organisation's need for compliance with the complex FT reform was tied to their only survival chance and alluring with the incentives attached to compliance. Non compliance would mean the death or take-over of the organisation, which is a risk the organisation were not ready to take. On the other hand these organisations want to benefit from the benefits offered to FTs. This is the sort of dilemma faced by organisations within the NHS, especially where they are not robust enough to face the rigours of FT assessment. Hence, compliance involves a form of struggle or the other. The compliance difficulties faced by the NHS organisations were not immediately obvious or noticeable, since this reform was perceived as a means to drive efficiency within the organisations. However when the tenets of the reform and the manner of its implementation are linked with the organisational context in the medium term this struggle becomes apparent.

Organisational actors were determined to implement the FT reform, despite the challenges surrounding them, for a number of reasons. The implementation of the reform was mandatory, but it also provided some benefits, which included the financial freedom to retain and build up surpluses, with the additional right to determine how the surplus was used. The FT status empowered the organisation to approach commercial sources for borrowing for its business, which hitherto had not been allowed, the organisation was also able to easily restructure and modernize its services without seeking the approval of the regulators and lastly, the organisation became accountable to the local population instead of the Secretary of State once it had been authorised as FT.

The organisations' requirement to comply with the reform was inextricably linked to the political ambitions of the government, as these organisations themselves had their existence woven to the nation's political stance. Generally the NHS is a highly valued institution amongst the British citizens because of its position as the sole body responsible for the health and well-being of the citizens. Given its antecedents, which dated back to 1948 when the NHS was established, it became imperative that the continuity of the NHS is preserved by all ruling parties at all cost. Ruling parties in government emphasize the importance of the NHS and the need to continually ensure that the NHS remains alive, and its outlets, capable of delivering an efficient service to the nation from time to time in a bid to assure the citizens.

This assurance not only makes the government popular, it also assures the citizens that their welfare is a priority of the government. For successive governments to continue to deliver, or be seen to be delivering, a citizen's centred agenda, the government continuously tinker with the NHS by implementing one reform or the other, under a variety of phrases and rhetoric.

Unending reform agendas became a fashion in the NHS, especially since the introduction of the New Public Management in 1990s, and this led to the introduction of the FT status. The complex/ambiguous rules that line the road leading to adoption of the FT reform links with the struggle of NHS organisations to comply with FT change. The FT status requirements were complex, and in most of the organisations, an arduous task given their financial and structural form, which results in the phenomenon of a struggle in order to comply. This is also reflected in the comment below-

> *[…]Yes, I think it is basically, it is a classic NHS where the government set a new performance standard, so FT is the in-thing, so if you apply and get FT, you become the first one to get it, you become famous, you get a lot of coverage, in the book of DOH you are the good boy, so you get the grant, it is always a culture of the NHS, of the high flyer and slow flyer, and the high flyers are always the first to get the badge, I think everyone rush to get the FT so as to be seen to be good, the first 10- 15% did that and everyone tries to catch up, I think the case at mid staff actually slowed it down, when everyone said, hey slow down if that trust is a FT and did that bad, what is the point of FT? […] (Management Accountant, Trust A)*

In this study, the phenomenon of Struggling for Compliance was demonstrated by an equal and opposite interaction between the government and the NHS organisations. The initiation of the FT reform was established by the government through the Secretary of State in a rhetorical rule, which was enshrined in the NHS Act 2006 requiring all NHS secondary trusts to adopt the FT Status within a stipulated time. This demonstrated the government commitment to the implementation of the FT reform. The implementation of FT engaged the use of accounting as the main driver to establish its agenda over the organisations.

The government used this platform to introduce a new accounting and reporting regime, which was promoted by Monitor, whereby the NHS organisations moved away from the star rating system of performance measurement into a Financial Risk Rating system of assessment. NHS organisations were made to complete a Long Term Financial Model (LTFM), which gave robust information concerning the trust's long term survival. The model took a view of at least a five year plan into the future of the organisation. This moved the organisations away from reliance on a one-year budgeting exercise into that of a five year budgeting programme.

From the organisational standpoint, the adoption of the FT status was conducted in a manner that allowed them no option or alternative. It was also linked to their survival, thereby forcing the organisations to comply with the FT. By complying, the organisations were seen as fit for the FT status. In addition, as the organisations sought to present a good image to members of the public, who are the users of their services, achieving the FT cape mark meant that the organisations would achieve a progressive business status in the minds of the local population. Successful implementation of the FT reform also gave the organisations access to the benefits offered under the reform- financial and regulatory freedom.

The implementation of the FT agenda was a challenging task, due to the complexity of the rules and the rigour involved in each phase of the implementation. The adoption, therefore, witnessed a number of actions from the trusts, which could be classified as managerial manoeuvring, or games, to facilitate the achievement of the status and also prove themselves worthy of the new status to stakeholders.

Some of the struggles encountered by these organisations, in addition to the completion of the LTFM, include the compliance with a number of other deliverables, such as the inclusion of members of the public into the trust board arrangement, compliance with specific clinical targets, for instance delivery of a three month consistent Accident and Emergency (A and E) target, delivery of a Strategic Business Plan detailing either a five or ten year plan of the trust as the case may be. This document defined unambiguously the plans of the trust as it related to the delivery of its efficiency targets, estate plans, targeted risk ratings and plans for the development of new services. From the points highlighted above, it could be noted that Struggling for Compliance was borne out of two influences. The first was the pressure from the government, and the second influence was an inter-organisational influence, which is a mimetic influence. The government's influence was perpetrated through the legislation, which birthed the change, resulting in the difficulties experienced by the trusts as they journeyed into the FT gateway. This legislation put the organisations under a severe pressure to achieve the expected targets if they were to qualify for the status.  An example of struggling to comply with the requirement to become an FT organisation was, reflected in the following quote:

> *[…] I think .... we don't actually have an alternative, the government has said that all trusts are going to become FTs and as a result of that, this is something that we absolutely have to do […] - (Chief Executive, Trust A)*

The 2003/04 financial year, was a major financial era when a number of NHS organisations were hit with a colossal deficit position and incapable of achieving the required efficiency savings in spite of the government's investment in the sector, this antecedent gave a vivid picture of the genesis of the struggle, with FT introduced in 2004/05, at the time when most NHS organisations were barely operating to survive, the added requirement to achieve FT became even more onerous for some of the organisations. In this study, actors struggled to keep up with their Accident and Emergency targets required of them, and that became more difficult when the FT criteria required them to have a 3 months consistent achievement of the target. Achieving the routine Cost Improvement Programme (efficiency saving) was also a known challenge to most NHS organisations on a year by year basis. The FT assessment framework extended this requirement, by stipulating higher levels of efficiency targets, with the requirement to present clear and robust organisational plans for the achievement of the target, not only for one year, but for a period of five years.

Another struggle was the criteria attached to the board requirements for FT organisations; all the trusts in this study continued to reshuffle their board membership in order to present a well constituted board as required for FT assessment. This was a challenge in a sector that found it difficult to recruit specific skilled professionals at the board level, either due to lack of affordability of a competitive pay or the geographical location of the trust. In the FT terrain, an organisation's failure to recruit individuals with the 'right skill set' is a risk, which may hamper its eligibility for FT status, if the trust is perceived as having 'not a properly constituted' board.  Comment from a board member reflects this -

> *[…] We have looked at the members of the board and are currently in the process of replacing a couple, mainly to make ourselves more robust for FT status. […] (Director of Finance,  Trust A)*

The other major area of struggle was the general health check assessment of FT organisations, which was assessed based on Monitor's Financial Risk Rating (FRR) metric; this is a simulation of a number of accounting ratios (Liquidity ratio, Earnings Margin, surplus margin and Return of Asset), which arrives at an overall rating called the FRR. This rating measures the health check of the organisation. Given the indicators being used for the risk rating, trust 'A'  in this case study failed to achieve the FRR, where they had been required to achieve a minimum of  (3) points out of five (5) in each of the five forecast years of assessment. This was one of the major reasons the trust embarked on the measures, which

was distressing but unavoidable, if it must achieve the FT criteria. Here is a comment from a management staff -

> *[…] At the moment, nobody would lend to us, we can't get the right risk rating, so we wouldn't get it and that wouldn't help us. It would help us if we could just pull our baseline up the recurring balance […] (FT Director, Trust A)*

The position was clear to the extent that all trusts must become an FT; indeed this study also showed that the trusts were also interested in this struggle, driven by their quest to benefit from the privileges offered to FT organisations. They present themselves as an effective organisation to both their Regulator and the Users of the service − the Public. This pursuit was often driven by the management's self-interest to succeed at all cost. The motive behind this drive may have been for efficiency reasons or perhaps to achieve the status in order to gain popularity. Staff within the trusts had different perceptions of the trust's motives and, indeed the benefit offered by the FT status. The following comments were made to justify the organisation's motivation for wanting FT status -

> *[…] Well, potentially a lot of benefits. I think within the organisation itself it means we become much more rigorous in the way we do things, we look at the financial planning of the organisation and it fits in the Service Line Management process that we put in place. And without the organisation it gives us the flexibility to be able to add a working partnership or potentially takeover other organisations […] (Div. Finance Manager, Trust B)*

> *[…] I think it would give us more control of what we do and how we do it, that is my understanding of it. So we will be in control of our own destiny really. We will do that within an environment of more self-assessment and making sure that we are achieving for ourselves. Although we will be monitored, obviously we will be more in control of what outcomes are important to us and how we ensure that they happen with evidence as well […] (Div. Finance Manager Trust A)*

As mentioned above, there are a number of challenges involved in achieving FT, but notwithstanding these difficulties many trusts applied for the status. This study noted a number of primary motivating factors for the adoption of FT status, topmost of which was the trust's motivation to obtain the regulator's approval and then to be recognised as a financially stable organisation, thus obtaining the privilege of regulatory freedom. Amongst the Senior management staff, there was the third factor of being accountable to the local people who

they serve, but this was often linked with provision of a better service as reflected in the following quote:

> *[…] From my perspective in the work that I do, attaining FT status has given us more empowerment, to the individual trusts and they are able to do more with their money instead of being overseen by another organisation. It has enabled trusts to be more in control of its own funds and can invest and do all sorts of things that couldn't be done in the past. It has enabled trusts to be responsible for their spending because they have gained empowerment. […](Treasury Manager, Trust B).*

> *[…] I suppose the only disadvantage (of not being an FT) is that we haven't got the autonomy that FTs have, not reporting to the SHA, direct involvement with the Department of Health. And you can't keep your surpluses but we're not currently making surplus anyway. […] (Dep. Director of Finance, Trust A).*

The general opinion was that the bureaucracy within the NHS often stifles the creativity of the management, thus a need for regulatory freedom. For instance, in the circumstance where a trust is delivering a service at a loss, they are usually unable to close down such a care pathway without facing sanctions from the regulators. Regulatory bodies impose their views on the trust's service delivery plan, which may put trust in financial and delivery difficulties. These organisations feel better off without the regulatory incursions, as reflected in the following quotes:

> *[…] Yes, to get out of direct control of the Strategic Health Authority, the Department of Health and the Secretary of State, I would say for the work involved….yes, it is worth it. […] (Dir. Of Workforce, Trust B)*

It must also be mentioned that while actors were not asking for a self-regulatory regime, they were not pleased with the SHA (or CCG now) and DOH regulatory framework. The current regulatory system was the most blamed for the poor performance of non-FTs by the actors. As could be seen in the comment below, actors also commended the new regulator (Monitor) for the shift in focus -

> *[…]I think the major thing is that our governing body has forced us to bring patient quality to the top of the agenda. Whether it's because we are an FT or we have all observed what has happened elsewhere, Mid-Staffordshire for example, I'm not sure. The governing body has helped channel focus where it wasn't before. […] (Chief Executive, Trust B).*

*[…] I think it's probably because FT is the way forward. If you want to have the autonomy that goes with running an organisation, it is important to have FT status[…] (Directorate Manager, Trust B).*

## 7.4 Case Study Interaction Framework

The case study interaction framework is a depiction of the actions of the regulators, which ignited a reaction from the organisational actors (the institutional and Organisational actors' discourse). The outcome of this interface resulted in the phenomenon of struggling for compliance. This study found three main areas in which FT implementation were most profound in the NHS. First was the action of the government, which introduced a new legislation- an establishment of rules, instituting FT Status into the NHS. These rules were set with a deadline for all trusts to comply with, or face the consequences of non-compliance. Non-compliance would be interpreted as the trust not being 'fit for purpose' and thereby incapable of operating in an FT environment. Such trusts may be taken over by other FTs, or a private sector organisation, to be run as a commercial entity or even merged with similar trusts to gain synergy for survival.

The second part of the interaction was the response of NHS organisations to the government's legislation. The establishment of the rule indeed set in motion a rapid uncertainty in the entire health sector, and drew the attention of all NHS organisations to the FT process; this consequently resulted in the various types of organisational response shown in this study. The reaction was presented in the form of two separate responses from the organisations – first was the organisations' coping mechanisms with diffused uncertainty in the sector, while the second was their pursuit of legitimacy. This was also reflected in the sharp practices displayed by organisational actors. Often referred to as managerial manoeuvrings, they were a form of gaming.

The last part of the framework unveiled the outcome of the FT authorisation strategy; this showed the resulting effect of the FT legislation, this represents the effects or products of the FT rule.

### 7.4.1 Emergence of Complex Rules

The first action that took place following the introduction of the FT status was the establishing of rules and regulation. This took the form of an enabling act that upheld the FT status, its power and finally its mandate. The NHS act 2006 required all NHS providers to adopt the new status by becoming a Foundation Hospital. The promulgation of this legislation

was not without a number of resistances from various workers' unions and in-fights within the political parties. The establishment of the law removed the power of the Secretary of State, and conceded its role as the head of the NHS to Monitor signalled a clear demonstration of the government's commitment to follow through with this reform. This meant that the new FT organisations would no longer be accountable to the government through the Secretary of State, but rather to Monitor and their local population.

The mode of implementation of the law was set into levels and phases, which started with the creation and empowerment of a new regulator. The empowerment of the independent regulator of the NHS to authorise trusts that met the required criteria was enumerated in the NHS Act 2006 (section 35), the qualifying conditions were also highlighted in Section 35(2) of the Act.

The FT assessment procedure was further broken down in terms of requirements, steps and phases in the NHS Act and other published schedules, supplements and guidelines. The authorisation criteria for FT licensure were made explicit in the Act. Monitor must ensure that it authorises only organisations that were Legally Constituted, Well governed and financially viable. Monitor's commercial approach to the process was found to be new and strange to the NHS way of working, as reflected in some comments -

> *[…] It is very much like working in the private sector.  It is much more a private sector viewpoint. Things such as our working capital are very important.  If we don't get our income we cannot meet our financial obligations. (Treasury Manager, Trust C).*

> *[…] So, you have Monitor with a very commercial approach, financial regulator and it is interesting those were the words from the new government for Monitor, alongside price setters.  (Director of Finance, Trust A).*

The acts required that trusts must seek the leave of its local constituents prior to engaging with the FT application process. Trusts conduct a public consultation to seek the view of individuals who lives in the proposed catchment area of the trust, failure to seek the approval of the local resident is a clear breach of the FT authorisation process -

> *[…] Monitor must not give an authorisation unless it is satisfied that the applicant has sought the views about the application of the following: individuals who live in the proposed public constituencies if the trust, individual who will eligible to be*

*member of the patients or service user constituency of the trust [...] (NHS Act 2006*
*Section 35 (5))*

Some of the comments made by the trust staff reflect their level of engagement with the rules
set out for the process -

*[...] The things I like about it, are that it makes you, with the change in government*
*even more, accountable for the services you provide and make you accountable to the*
*local population, in a way that does not happen with non-FT, at the moment it is clear*
*that my bosses sit at the SHA, with the model it makes it clear that I stand and fall on*
*my local performance and ultimately responsible to the local population, for me, I live*
*in this local community, all of my family lives here, and ultimately I should be*
*responsible to them for the care I provide, not to the people sitting in Birmingham, the*
*SHA is away from us and in a way Birmingham focus, as for me, I think it is about*
*being in charge of your destiny, doing things that make sense to the people of north*
*Staffordshire and not the people in Birmingham and I think for me that has got an*
*appeal, it is quite scary, the local people can be far more of a telling boss, and they*
*should be really and I think that is the right model. (Chief Executive, Trust A)*

### 7.4.2   Advancing a Rigorous Framework

Engaging with the application process after obtaining public consent involved a number of
additional criteria that had to be met by applicants. The FT requirements specified the types
of documents that had to be submitted at each phase of assessment. The major submission
comprised a Long term Financial Model, a trust's Strategic Business Plan and the
establishing of a formal governance framework.

### - Completing a Long Term Financial Model (LTFM)

Trusts were required to complete the LTFM, which was an Excel based financial model
designed by Monitor. The LTFM's requirement was detailed and complicated. As a result of
the complications, most of the organisations engaged the services of financial consultants to
populate this model for them. The detail of the model included the financial accounting
details of the trust, key performance indicators and graphical charts showing organisational
performance. In the LTFM, the trust was required to show nine years-worth of accounting
information – this consists of the historical accounting details of the last 3 years as shown in
its published accounts), the current operating year and a forecast for 5 years. The same level

of detail was expected to be included in the trust's Key Performance information. This information was shown in various forms of graphs, charts and trends within the model suite.

The LTFM became a living document of the trust, which every member of the trust board was expected to familiarise themselves with and kept updated from time to time.

**- Preparing the Strategic Business Plan**

In addition to the LTFM, the trust also had to compile an integrated business plan, which gave detailed information of the trust's operations covering the previous three years and the future plans (both strategic and operational) of the trust for the next five years. The business plan document was often given in a template format laid out by Monitor. The document had chapters focusing on financial planning, service development planning, risk analysis, demographics and market analysis.

The narrative in the business plan document mirrored the financial forecast shown in the LTFM. This document reflects the organisational plan and strategic goals in the medium term.

**- Challenge to a Formal Governance Framework**

In addition to the documents listed above, at the start of the application process, the trusts worked with its SHA for the assessment process. trusts were required to complete several forms as part of a self-assessment process and governance framework. trusts also presented their business plan to the TDA, discussing the challenges and prospects. The TDA evaluates the robustness and quality of the trust's plans and its capacity to implement them.

Through this process the board of the trust continuously worked with their TDA to fine tune several areas of the trust's operation and governance structure, with a view to making it fit for the FT environment. Some comments made by respondents about the assessment rigour were as follows -

> *[…] I think the discipline of Foundation status was meant to be a good thing in itself. And it fits in with a lot of aspirations to become more business-like. And a lot of the stuff that Monitor does, the way they approach things seems to be much more business-like, much more structured in the way that they go about looking at an organisation. So, in fact it fits into our overall aspirations anyway. (Div. Finance Manager, Trust A).*

The application of FT rules was not entirely perceived as an equitable process in some circles of the NHS. There were issues around the loss of a trust's individuality, the early adopter, especially the first and second waves of FT, were perceived to be the stronger organisations within the NHS, while the later adopter was seen as weak, as most of them had issues with finance, management and operation of the organisation, as was evidenced in some of the comments -

> *[…] My own view is that, the government is trying to shoe horn this (FT) as an ideal to every trust that there is and I am not sure it works for every trust that there is […] (Dep. Director of Finance, Trust A).*

In addition to working with the TDA, the trust was expected to engage with its major commissioners – The Clinical Commissioning Group. This was to ensure that its financial plan/forecast synchronized with its commissioner's intention. The trust's involvement with its commissioners extended to the development of new services, which the trust planned to deliver in the future. All these discussions had to be held with the TDA and the CCG, in order to be sure that the commissioners were indeed in need of the services being developed and willing to pay for such services within their commissioning plans.

### 7.4.3  Linking Accountability Agenda

In an extension of the trusts' challenge to a formal assessment framework, the Monitor assessment guideline required trusts to engage with members of the Local Health Economy. As a pre-condition for FT authorization, the trusts publicized their intention to pursue FT authorization, providing reasons to support their decision to become a Foundation Hospital and seeking the support of the public in their FT application. This was done through a public consultation process, where a number of public meetings were held to discuss with the local users. This culminated into the drafting of members of the public onto the trust's Governing board, an active part of the Foundation Trust board.

The challenge of drafting membership from the public onto the Governor's board was highlighted in the following quote -

> *[…]There was a huge amount of communication, particularly around getting people involved in becoming Governors and also staff and clinical representatives and that required a lot of communication. […] (Directorate Manager, Trust B).*

The FT structure was sharply differentiated from any other NHS structure ever known, as a result of the inclusion of Governors on the trust board; this created a decisive change in the

organisation's governance feature. The inclusion of Governors on the trust board was to foster local accountability within the trust, which was one of the major reasons for introducing FT status into the NHS. Members were drawn from all walks of life through voting, and interested parties put themselves forward for election onto the board of Governors. The experience of one of the trusts on governorship is highlighted in the quote below-

> *[…]The principal difference in FT is the existence of Governors. The basis of Governance within the organisation is very similar and many FTs have chosen to have a board structure to look the same as many non-FTs. Ours is slightly different but that's because we have chosen the type of organisation we are and not simply because we are an FT. So we have far more doctors on our board of Directors than is common in the NHS. This in turn means that the mechanisms for appointment of the Chairman and Executive Directors are different, because of the involvement of the Governors. Accountability is to the board of Governors, which in our case, is made up of local patients, local population, staff, national patients and stakeholders. […] (Medical Director, Trust C).*

## 7.5    Reaction from the Trusts

This section presents the response from the organisations to the FT requirements as they went through the process to achieve FT status, thereby activating the struggle for compliance. As mentioned above, some of the early FTs arguably had less struggle with the compliance criteria when compared to the late adopter, especially the star rated organisations, given their financial, managerial and operational capacity at the time when FT status was introduced to the NHS. Most of the early adopters (which are very few in number) in the waves one and two of the FT authorisation phase were the strong and financially viable trusts in the NHS. They were the three star rated hospitals at the time. The authorisation requirement was relatively compatible with their existing processes, and they were able to evidence the required compliance in order to gain the status. This was not the same for the later trusts, whose background had been that of financial struggle and bail outs.

The reaction of the trusts began after the promulgation of the FT enabling law, followed by a high level of uncertainty spreading through the organisations, all the trusts responded by seeking legitimacy through compliance with the adoption process. However this compliance involved a number of manoeuvres and games.

### 7.5.1 Diffusion of Uncertainty

The promulgation of the NHS Act 2006 created uncertainty within the NHS secondary care environment, as this rule required all NHS trusts to pursue the mandatory adoption of the FT status. The uncertainty was reflected in individual trust's financial stability, structural integrity and robustness of its plan to sustain its funding stream.

At the time of FT introduction, most trusts in the NHS faced several challenges to achieving a financial break-even, as demanded by the regulators. NHS trusts were required to achieve a determined level of efficiency saving in addition to their duty of financial break even. Several areas of the global NHS funding stream were impacted by the general economic downturn,. The effect of rising inflation and population growth in the UK put enormous pressure on the health budget. In addition, the effects, of the liquidity challenges of previous years within the NHS still lingered as some trusts that had been bailed out of their financial deficit were still in the bailout repayment cycle. The unpredictable nature of the entire government settlement scheme and the Local Health Economy (LHE) challenge diminished the trusts' concentration on activity outside their current year operations. The following quotes reflected the effect of economic changes:

> *[…] If you look at the NICE economic evaluation of any new procedure or drug they have been hugely influential in the way care services and interventions have been taken forward and I don't think that is just about FT status, but the whole culture of healthcare is changing, but I do think we are edging closer to an independent sector style. […] - (Clinical Director, Trust A).*

Demographic changes within Local Health Economies and individual trust's challenges added to the significant level of despair in the NHS, which culminated into a state of uncertainty within the trusts, thus influencing managers to take drastic action to modify existing service pathways in order to manage their cost within the finite financial envelope. This resulted in a form of an unstable environment in the medium term, as reflected in the following quotes:

> *[…] I became less and less convinced of the benefit of FT particularly in this economic climate and particularly when you have got a large PFI sitting on the box as well. I think the benefits are fairly slim, even to the best of FTs with those circumstances operating..... […] - (Dir. Human Resources, Trust A).*

The reality of the changes necessary to become an FT linked with the reactions of the organisations to ride through the economic challenges within a limited cash resource. On a general note, some of the actors were not confident that their trust would be able to meet the required criteria for them to become a FT, as reflected in the following quotes:

*[…] I think the major difference is that historically in the NHS, people and departments carry out their services and they have not really paid too much attention to how much that service is costing. They have nominal staff, nominal pay and go on with the job…. Obviously, patient care is top priority and finance has to fit in with that, but the reality is that we have an envelope in which we have to work within […] - (Div. Finance Manager, Trust B).*

*[…] It is changing because of the future and it is changing perhaps because of the current economic conditions. And in the future with Service Line Management reporting being implemented, people are looking to start decommissioning services….. And I think maybe that is partly to do with FT and partly to do with the position we are in financially in this local health economy […] (Dep. Director of Finance, Trust A).*

The traditional planning gap within the NHS was focused on a year to year operation, so that no-one planned beyond one year's operation. The FT process required trusts to make a plan for a period of at least five years; this was strange and new to the sector. The new requirement was seen as complex even though some actors saw it as a positive step, but achieving the leap from one to five years planning was a major constrain for some actors, both technically and structurally, as reflected in the following quotes:

*[…]. I think there's still plenty of scope for this organisation to improve its forecasting and it's long term planning and it's becoming increasingly important given the current economic climate […] (Clinical Director, Trust A).*

*[…]. There is far more emphasis on cash and the need for cash. I mean cash as in working capital on the basis of being able to forecast as accurately as possible and the cash we are going to need in the short and long term, and certainly up to the end of the financial year. Whereas before it was not necessary as a trust, but there is a lot more emphasis on more accurate forecast as a FT. Plus with Monitor being involved as well, the returns have to be recorded, it is even more important […] (Treasury Manager, Trust B).*

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Uncertainty at the trust level was immediately obvious, both at the organisational and at individual levels. Organisation's inability to tick all the boxes for FT adoption sent a signal of non-compliance to the staff and, therefore, a feeling of despair from not knowing what would become of the organisation if it failed to achieve the FT requirement. The uncertainty triggered employees' low morale, as staff witnessed the trust's reorganisation process, which involved several changes with no assurances of job security, especially where staff were required to re-apply for their jobs. During this process many of them were left for a prolonged period in the transition tray – classified as 'job at risk'; this low Morales in staff consequently resulted in the loss of many work force hours. The evidence of uncertainties in the working environment of actors' was reflected in the following quote:

> *[…] Bringing that into the Divisions now, I don't really hear what is going on because it is private and confidential. All I know is that there are a lot of people out there who are not happy at the moment because their own post is not given to them again and they are applying for different ones […] (Management Account, Trust A).*

> *[…] In medicine, I am not so happy and that needs to be sorted by this management of change. I think in principle, I was in favour of the management of change. These things are difficult, when you do them; they are not going to be pleasant. They need to be done as rapidly as possible so that people are not paralyzed; those are the problems we have. We still have new appointments to the post because there are people who left and some of the outcome of the recessional process was a little bit bizarre. You know, there some people who were displaced who weren't as quite as bad as it appeared to be […] (Clinical Director, Trust A).*

### 7.5.2 Establishing Legitimacy

In almost all the authorisation instances, the legitimating feature was observed. While the change process varied from one organisation to the other, it was a far deeper operational change for some of the organisations to achieve the expected level of compliance in comparison to the other. The most radical and deepest changes were notable in the late adopter trust in this study.

### - Redesign of the Organisational Structure

Trusts attempted to show compliance to the TDA, as they worked in readiness for the authorisation. The first line of rhetoric that was common in the trusts was the redesign of the organisational structure; this was in anticipation that the new organisation would be totally

different and as such the structures would work differently. For a start, the adoption of FT presupposed the inclusion of the public into the organisational structure, where members were elected onto the board of Governors, and the same schema was adopted for the re-organisation of departments and divisions.

The non-FT organisation merged some of its divisions to form a bigger whole and in some cases some divisions were shut down; this was to show the commitment of the trust to FT adoption. Redesign of the organisational structure was implemented in a robust manner. The organisation launched a programme entitled 'Management of Change. This programme is one that involved staff and encouraged them to take part in the organisation redesign, by bringing suggestions through their line manager or even anonymously, and these suggestions were considered, some of which formed part of the new organisational chart.

Divisional Heads were also required to review the existing structure of their divisions within the context of the organisation's target, which was shared at the strategic level of management. This focussed on building a new organisation that was fit for purpose, as the existing structure was adjudged to be inadequate for the FT regime.

The first product of this programme was the redesign of a new organisational structure, which showed a new hierarchical arrangement of the entire trust, some of its features included a re-naming of some divisions, the merger of some others, and the nullification of the rest. Based on the new organisational diagram, each Divisional Lead created a blank work force pot, these empty pots were later filled with staff (as will be explained in the following section) through recruitment internally, and then externally. This process was to acquire the legitimacy of the regulators. A similar process was undertaken in FT 'B' in order to comply with the Monitor template.

> *[…] This trust had a structure, which is similar to the current structure but I think what we have done over the last few years is to streamline some of the processes so that the Executive board really is the key decision making body from the executive perspective (Directorate Manager, Trust B)*

**Recruitment Process in the Trusts**

The approach at the trust level was reflective of a plan to streamline the operation of the trust in order to fit into the FT template. The main plan was focussed on the creation of a new organisation that was fit for the Monitor template, with a better organisational structure as perceived by the trust board. This particular organisation embarked on this plan by redrafting

the job descriptions and determining the required level of competences, which led to the recruitment of new staff. The trust also simultaneously introduced new training programmes to sharpen the skills of existing staff.

Most of these changes focussed on the quality of the staff, thereby calling for specific types of competences, in specific roles. With the redrafting of the job descriptions, all jobs were thrown into a pool and all the staff needed to re-apply for the jobs they wanted, provided they possessed the required qualifications and experience specified for the job. This led to a massive displacement of staff in trust 'A'. Actors needed to go through the process of re-applying for jobs and where they found that they were no longer competent for their 'old job', they applied for new jobs, either within their current or other departments. Actors who could not fit into any role were put on hold until all vacancies were filled.

Following the filling of all vacancies, staff members without a post were given the option of voluntary redundancy. In the same vein, those jobs that could not be filled from the pool of internal staff were advertised externally to be recruited into.

In a particular department in trust 'A', a recruiting company was employed to evaluate all the jobs available, conduct a psychometric test on the staff, which is followed by an interview process, then successful candidates were allocated a post, the same was confirmed in the quote below -

> *[…] Yes there was a test, we did all of that, and they (Staff) were assessed against them and they could not do it… (Chief Nurse, Trust A)*

> *[…] A lot of people are qualified and some people are unqualified. I have noticed that a lot of people are worried about applying for jobs, because they haven't got the qualification. They've got the experience, some people could have 15years experience in a particular field and another person could have the qualification but not the experience and I'm not sure where that lies with the future but a lot of people are just here carrying on, worried that they have not had the qualification to apply for … even though they have been doing the same job […] - (Management Accountant, Trust A)*

**Adopting Monitor's financial tools**

One of the strategies adopted at trust 'A' was a complete adoption of the Monitor's tool, though they were yet to become an FT organisation, the trust found Monitor's Service Line Management (SLM) technique useful and they implemented it, despite the understanding that the tool was designed for FT organisations. Monitor expected all FT organisations to report

through their service lines, and mandated the use of the SLM for this purpose. The actor in this case implemented SLM ahead of its FT authorisation, to substantiate its readiness for FT.

SLM implementation was found to be more popular amongst staff in the trust compared to FT status. While most of the staff were aware of the details behind the implementation of SLM, they showed a very patchy knowledge of FT implementation and the progress made by the organisation so far. Top executive staff admitted that while the use of SLM was directly related to the work of individual members of staff, the FT implementation was not.

> *[…] First of all I don't know how much staff, understand about FT status. Any change that will come, has to filter down through management, it takes quite a while and whether they actually notice any changes. I don't think there would be significant change to the way they do their job […]. (Dir. Human Resources, Trust A)*

> *[…] I don't think FT is discussed that much (among staff). I suppose, yes, I wouldn't say this is why they lack an understanding of what being FT really means […] (Dep. Director of Finance, Trust A)*

### 7.5.3  Managerial Manoeuvring/Games

This study also observed that in the course of FT implementation that the trusts adopted a number of strategies, which are referred to in this study as 'managerial manoeuvres' or 'gaming' These actions were identified as games, as they were purposive activities undertaken to convince the TDA, and indeed Monitor, that the trust was in readiness and working towards the achievement of status, in a misleading manner.

Some of the gaming strategies included the coaching of the board members ahead of the board to board challenge, the exclusion of staff in the FT process, and appointment at the board level. The Practise of gaming was part of the strategies engaged by the trusts, which facilitated their attempt to seeking legitimacy in the course of struggling for compliance. Some of the tactics adopted were discussed below:

**Recruitment at board Level**

A major feature in most of the trusts going through FT assessment is a reshuffling of the board level management. The organisation – trust 'A', in its bid for FT status, attested to the reshuffling of members of both the Executive and Non-Executive boards. A number of recruitments were made at this level to comply with the Monitor's rule that demanded a properly constituted board. Changes made to staffing at this level were strategic, and the trust

engaged in replacing those members of the board who were perceived to be weak or not fully qualified within the scope of Monitor's criteria.

The compliance with the Monitor criteria especially within the board appointments was a demonstration of Monitor's power over the trust's ideals. It is not clear if the adoption of Monitor's template was in the best interest of the organisational objective. However this type of appointment was often based on the dictates of the current powers that presided over the affairs of that organisation. This is also shown in the following quote -

> *[...] You have to hold on to the concept that the NHS is a huge social organisation, and relatively bereft of solid academic management thinking and, therefore, often functions on the level of anecdotal emotion. So, management of change often comes in with new directors or new managers. One can always justify the reasons for doing it, but in my experience of nearly 30 years in the Health Service, it is rarely done through sound management analysis. It is usually done on the level of creating a structure that the individual views as fit, how that fits with their personal way of working. So, for me, management of changes are done often for the wrong reasons or at the very least through inadequate management thought and analysis and that is true of the Health Service. Management of change is almost a wrong use of word, perhaps they should call it 'boot a few people out and shuffle the chairs'[...] (Clinical Director, Trust A)*

On-the-job skills of new recruits were not easily testable, especially where they were recruited from the private sector, which has a different dynamic to the public sector. Also, attracting Non-Executive to the board is quite difficult for the trusts, and these posts had no incentive as most of them were not salaried, except for allowances, which are usually minimal.

Within the authorisation rule of Monitor, there was a very strong emphasis that members of the Non-Executive board must have strong financial expertise, which was partly the reason Monitor's assessment was perceived to be more focussed on the financial state of the organisation than any other aspect, such as health care quality. This was disclosed in the following quote -

> *[...] Once again, there is a strong emphasis on having financial expertise in order to be on the board, so Non-Executives particularly, have a broad spectrum. Generally there would be two or three with strong financial backgrounds and maybe one or two*

*who have public health or general health backgrounds[...] (Directorate Manager, Trust A)*

The change of board members was born out of making the organisation good or 'robust' for the FT process, and not from a genuine need of the organisation, which generally showed that the organisation was only ticking the boxes, and making important decision such as recruiting at board level in order to satisfy the regulator. Some Executive members of the board made the following comments -

*[...] Yes, they (Non-executive board members) are scared about it; we have looked at the members of the board and are currently in the process of replacing a couple, mainly to make ourselves more robust for FT status [...] - (Director of Finance, Trust A)*

*[...] I suppose it's me that's driven it in a way ...I just pointed out to the trust board that actually there was nobody on the non-execs who had any recent relevant commercial, non-public sector experience! My recommendation was that we co-opted people, however the chairman decided to go to appoint an additional new non executive, which has finally come through, we have also had a member not to be renewed this time and there is another non exec who may not go past September. We have had two new members appointed one with an interesting mix of commercial and public sector experience, which I think the blend will be quite useful and another pure private sector, a chairman of a company that is in the FM market. What we are hoping these two individuals will do is to provide a little more edge to the trust board and its discussions a little more commerciality or what I called when I first came here "healthy business thinking" the key being the "health" and "business thinking" [...] -(Director of Finance, Trust A)*

**Staff Communication**

Staff at the Senior and board level status were found to be up to date with communications relating to the trust's FT application progress in comparison to the staff members at the Middle to Junior levels in trust A. The information available to staff below the management level was patchy, and so staff at this level lacked the information or knowledge about the FT process, which to a great extent affected their day to day activities. This study observed that changes were constantly being made to the organisational process at the operational level without the involvement of these key personnel.

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Some of the board members argued that FT reform did not affect the work process of the middle and lower level staff directly. However it was evident from observation that most of the changes made at the organisational level had a direct influence on the Divisional structures, which affected the group of staff in question. In most cases, actors at the non-management level were frustrated by the lack of information, especially with the tangible degree of uncertainty lingering over them. The study showed that the poor information flow in the organisation was well known amongst the management staff as well.

From the interviews, there are evidences that front-line staff discussed other organisational changes and events except the FT implementation amongst themselves, because FT was generally seen as an exclusive business of the Senior Management, as shown in the following quotes-

> *[…] General information flow between colleagues is pretty good. As regards FT it's not something that we tend to discuss or talk about really, it's not something that we can get involved in at the staff level […] (Payment Officer, Trust A).*

An inter-organisational comparison between the aspiring FT case study and the fully licensed FTs regarding the issue of communication flow, showed that staff in the FT organisations were fully aware of the FT process and their management gave regular updates on the process in staff meetings, and other various ways such as email shots etc. The FT case organisation, being an early adopter pointed to the fact that they were a financially and operationally stronger organisation, and were never shy away from updating staff about the process. This comparison further confirmed the greater struggle witnessed in late adoption of FT.

One of the Directors in trust 'B' explained the events within the trust at the time of application for FT; the process of communication at the trust showed a lot of openness from the management towards the staff as seen in the quote -

> *[…] We did a lot of communication at the time because we wanted to make sure people were aware of the issues and what the opportunities were. We also wanted to make sure that everyone was clear that it wasn't a move out of the NHS […] (Chief Executive, Trust B).*

**Foundation Trust Disconnect from Accountability**

The late adopter trust's disconnect from accountability emphasises the observation discussed in section 6.1.14. At the instance of the mandatory public consultation, which is a pre-requisite for FT approval, the trust interacted actively with the public for the purpose of

achieving public support, this unveiled another artificial compliance for the purpose of legitimacy. There was no clear evidence of trust's commitment to remain accountable to the public, in spite of the participation of the public group as Governor on the trust board membership.

There were evidence of Governor's exclusion in some areas of the trust's business classified as 'Private board matters', there were also a number of indications suggesting that the members of the board of Governors did not fully understand their role within the trust board.

**Coaching the Member of the board**

The last feature of the managerial manoeuvring was observed in the coaching of the members of the board ahead of the board to board challenges. The aim of this encounter was to assess individual board member's capacity, testing their knowledge of the trust's strategies, service and financial plans.

In trust 'A', the board members undertook a periodic training specifically focussed on the board to board challenge. The trust organised off-site sessions titled 'away days' or 'board Development Programme' exclusively for board members. The sessions were a forum, where board members were trained and updated on the expectations and the kind of challenges that must be anticipated in a proper board to board scenario.

There is no doubt that the board development programme was popular among all the organisations. It was being used as a means to keep the board members up to date on issues surrounding the trust. However this is not the same as the act of coaching and practicing likely questions to be asked in the board challenge event, for a straight regurgitation as observed in trust 'A'. This highlighted the general lack of confidence or the inadequacy of the board's capability. This was affirmed in a quote from one of the organisers of board development programme in the trust –

> *[…] Board Development- It is about looking at the skill and to know if there any gap in their (board member) skills and then trying to fill in those gaps. It's educating the board members a little bit about the days ahead, which they are working towards. Just about the same for financial skills, management skills, more management skills and that's what it is […] (Dir. Human Resources, Trust A).*

> *[…] On Communication and Understanding at the top level- We have done a lot of board developments like the seminar; the board seminars, they are development sessions for the board. What I do every six months; I take the Integrated Business*

*Plan (IBP) and use the IBP as the key document. Mr. X would take the LTFM and report back to the board every six months. And we also keep them briefed, in terms of what the SHA is saying etc [...] (Clinical Director, Trust A).*

*[...] I think if you are to hold a mock board to board, 2 years ago and now, I would hope that you will see an improvement in the board of directors, in terms of evidence, we have given the board financial information, which has influenced their decision [...] (Dir. of Strategy/Planning, Trust A).*

Aside from the board development programmes, there were other programmes of training on which board members were enrolled. This involved the employment of consulting firms to sharpen the skills of the members ahead of the board challenge. This was highlighted in the quote below by a member of the board -

*[...]Board development work! I think that will grow even more. Together we are all doing the cadet programme organised by Kings Fund, and that has helped us focus as well. There is a lot going on with the board at the moment [...] (Chief Nurse, Trust A).*

On a general note, the involvement of the Trust board in the entire programme was often to signal the trust's readiness to become an FT to the regulators. This does not in any way guarantee the continued commitment of the trust to FT status, but it was, however a means of gaining legitimacy and ensuring organisational survival.

## 7.6    Outcome of Interaction

The outcome of the interaction between the government's directives and the organisational response has a direct consequence, which has been summarized under three major headings namely– Organisational Efficiency Effect, Intra-organisational destabilisation Effect and Inter-organisational Behavioural Influence. The outcomes enumerated below were exhibited to varying degrees in each of the organisations depending on the state of the organisation at the time when the status was adopted.

### 7.6.1   Organisational Business Planning

The FT regime had a profound influence on the organisations' financial planning, especially their engagement with the use of the Long Term Financial Model. The Outcome was more evident in the budgeting operations of the organisations, such as the budget planning cycle, and Divisional compliance through effective monitoring of the organisation's budgets. There

were four organisational planning effects that resulted as a direct upshot of an organisation's response in the course of struggling for compliance.

The organisations were pressured to think differently, by having a longer term view of their budgetary plan, thereby cultivating an increased reliance on the mechanism of budgetary control, effective use of risk analysis in organisational planning and the inclusion of Service Line Management in financial reporting.

**- A Longer Term View of Budgetary Plan**

The implementation of FT rules required the completion of the Long Term Financial Model, which demanded forward planning of at least five years. The mandatory use of this model necessitated a holistic strategy on the part of each organisation to formulate a robust plan with the inclusion of its commissioners. The trusts became more attracted to the business of it commissioners, thereby gaining a better understanding of its CCG's plan and its direction of investment in the long term. This understanding informed the trusts about which services were required by its major commissioners. It also improved the trust's views about the marketing of its spare capacity to other outlets that required such services. This is all new to the NHS organisations, dissimilar to the way they operated prior to the introduction of the FT status as shown in the following quote -

> *[…] I think the major difference (between FTs and Non-FTs) is that historically in the NHS people and departments carry out their services and they have not really paid too much attention to how much that service is costing. They have nominal staff, nominal pay and go on with the job. With the advent of FT, and becoming more so in the NHS, they are better at it and profitability is key because people need to say, what is this service bringing to the organisation in terms of income, quality issues, how well are patients being treated. Obviously, patient care is top priority and finance has to fit in with that, but the reality is that we have an envelope in which we have to work within […] (Div. Finance Manager, Trust B)*

The LTFM created an increased awareness and better understanding of the business drivers, such as the service capacity and the marketability of services amongst the actors. Budgetary planning became more meaningful in the various Divisions within the organisations. The use of the LTFM created a meaningful approach to the way trusts carried out their business as shown in the following quote:

*[…] FT has raised awareness of profitability of services, which in turn has raised awareness of appropriate remuneration for different kinds of work and that has been a particular issue for complex organisations dealing with very high risk patients requiring detailed analysis of the kind you would do, as FT might need you to recognise complex cases not being remunerated. So the combination of the financial rigour required of a FT and understanding profitability with the individualisation of financial flow through PBR has uncovered some of these areas where costs and income do not match and organisations have to bear that in mind when they determine their repertoire of services and focussing their efficiency and productivity efforts. […] (Directorate Manager, Trust B).*

**- Increased Reliance on the Mechanism of Budgetary Control**

The robust financial plan created by the LTFM and the self-regulatory regime became a building block that enabled the FT organisations to get better at managing their financial situations; thus reducing the element of surprise that was usually the case at end of the financial year. The status conferred the right for the trust to be adequately remunerated for work done and this right extended the freedom for the trust to resort to the judicial option for services not paid for by the CCGs. While non FT organisations lacked the right to sue for debt owed to it, FT organisations were able to use this option, with which, they were able to rely better on their financial plan and be rest assured of not losing income.

*[…] FT has brought business-like thinking into the NHS, an understanding of profitability, which in turn means a better understanding of costs, which ought to make it possible to either run the NHS with the same money but with better outputs, or the same outputs with less money because of the greater understanding of the financial position. It has brought more interesting thinking in terms of use of physical assets e.g. buildings, and I think it has generally upped the pace in financial thinking […] (Clinical Director, Trust B)*

As a result of the status, the Service Level Agreement contract between the CCGs and the trust became a much more credible and reliable piece of document that is binding on both parties, performance under the contract was an assurance of income for the trust and non-performance could easily be monitored on a monthly basis, thereby eliminating failure and the need for arbitration at year end, as was reflected in the following quote:

*[…] FT gives opportunities in term of financial freedom, working in a more disciplined way within the Monitor financial framework as an organisation […] (Chief Executive, Trust C).*

**- Increasing the Accounting Role through Divisional Empowerment**

One of the major requirements for FT organisations was the adoption of a financial planning tool known as the Service Line Management (SLM). The use of SLM allowed the trusts to manage their organisational performance through the service lines, which basically devolved budgetary control to the Divisions. As a result, individual divisions were able to assess their performance and to ascertain whether they were a profit-or-loss making service centre. Also at organisational level, the trusts were able to understand the level of performance of each of their services. SLM proved to be a useful tool for the organisation, enabling them to set levels of investment and targets for Divisional Heads, with the assessment and monitoring of these targets made easier with the SLM tool. The use of this tool empowered individual Divisional Managers to better manage their costs, as explained in the following quotes:

*[…] I think it's back to the philosophy that the power has to go down to the lowest level, you know we are trying to link the SLM to Directorate Manager and Clinical Directors, in term of the management structure, we are going along this line anyway,. The argument is that do you need to be an FT to go along this line, I think you don't, but I think it fits in with the FT philosophy along devolution to the lowest possible level at clinical level and that is why things make sense […][…] (Chief Executive, Trust A).*

*[…]Well, potentially a lot of benefits. I think within the organisation itself, it means we become much more rigorous in the way we do things, we look at the financial planning of the organisation and it fits in the Service Line Management process that we put in place. […] (Div. Finance Manager, Trust B).*

The adoption of the SLM system in the trust was found to be more popular in the organisations than the implementation of the FT itself. While most of the staff found SLM easy to explain and relate to, majority of them do not understand the FT process as they did with SLM, as reflected in the following quotes:

*[…] Reporting has changed in a way as in you hear a lot about Service Line Reporting, Service Line Management and communication. On that in our departments has been really good because we have everything improving and we have a lot about*

*that – SLM that has cascaded really well. But apart from that in what we do, I don't think a lot has changed with FT. […] (Div. Finance Manager, Trust A).*

The introduction of SLM was an absolute delight to some of the Divisional Managers, because they were able to access their Divisional performance at the touch of a button and are also able to make immediate corrective action where they believed the service was performing below the required expectation, as reflected in the following quote:

*[…] FT status says we need to have Service Line Management, that's why we are doing it. But it's always been sold as we have some financial challenges, we need to understand where our expenditure goes, we need to understand where we get the income in, and Service Line Management helps us do that. It helps put the clinicians in the centre of it and that will lead to a better Trust and a better hospital and more efficient and productive hospital, rather than, we're doing this to get FT status […] (Dep. Director of Finance, Trust A).*

**- Effective use of Risk Analysis for Spending Plan**

The adoption of FT status created a new way of working, as seen in the use of risk analysis in the organisations. Prior to the adoption of FT, development of services in the organisations, did not necessarily require being risk assessed. Monitor's way of working is through risk assessment (Monitor, 2008). At the back of the LTFM completion, is the Financial Risk Rating scoring mechanism, which became a basis for measuring the risk inherent in various projects. This study observed that recent service developments in the trusts adopted the risk rating metric, which gave a better grounding for the organisation's decision making process.

Observing the process of business case approval revealed that all the organisations in this study have adopted the Monitor Risk Rating business plan template; this is a prescribed standard template, which worked on the basis of risk rating metric. The organisation's knowledge and quantification of the effect of risks in their business has improved with the use of this template. Risk assessment discipline is further highlighted in the following quotes:

*[…] so I think we are operating in a different way. It's not less, because we are putting lot's more work into things like risk management but many people would say you should be doing that anyway. […] (Chief Executive, Trust B).*

*[…] I think the financial risk management has been more sophisticated in FT. I think the non-financial risk and the assurance framework is broadly similar. However, I am speaking from the experience of only one FT and maybe Imperial was in a more*

*advanced position than some other organisations, but the financial risks, because of the framework set by Monitor, how to assess financial robustness is better developed. Many aspiring FTs, are now using the same methods that Monitor have put in place for FTs. [...] (Treasury Manager, Trust B)*

## Intra-Organisational Destabilisation Effect

Some of the outcomes of organisations' pursuit of FT compliance were classified as a destabilisation mechanism to the organisational routines, as they affected the smooth running of the organisations. These were influences created as a direct result of the trusts' pursuit of FT authorisation. To varying degrees, the organisations were left with the additional challenge of undertaking additional work, which included convincing staff of the sincere nature of the reform, which extends in some instances to engaging with the staff and the public with the view to convincing them that the FT reform works. The desire for FT authorisation led to the creation of a self-focussed plan, false confidence in a one-off certification, and a distraction from organisational performance, as explained below:

## 1. Formulation of Ambitious Plans

Ambitious forecasts in the Long Term Financial Model refers to the budgets or plans whose inputs were creatively made in order to align with the unsubstantiated aspirations of the trust, rather than achievable organisational targets. This was reflected in the way the Five years plans of the trusts were drawn up. Achieving a financial risk rating of a minimum of three out of five was a major requirement for all would-be FT organisations, and this risk rating became the basis on which the self-focussing plans were based. It was a common knowledge within some of the organisations that the trusts would struggle to achieve such levels of risk rating, but in order to achieve FT status, ambitious plans, which were undeliverable were coupled together, which in itself is a way of setting the trust up for failure in the future.

This was noted in one of the Service Development Plans proposed by trust 'A', where the trust planned to derive an income stream from a new service, while on the same service design, it made an assumption, which cut deep into the pay in order to achieve the required efficiency savings. The outcome of the service development showed an ambitious plan that was unachievable as there was insufficient provision for personnel cost to undertake the work involved.  This is also evidenced in the following quote:

*[...]Yes in two ways. Firstly the fact that Monitor set their financial risk rating by reference to a comprehensive set of financial measures, it has really forced us to be*

*very aware of these particular matrix, to ensure that when we plan, we plan to be at a risk rating of no less than 4, and that drives us to ensure that all our financial plans are deliverable. Monitor has raised the profile of that aspect of risky [...] (Director of Finance, Trust A).*

*[...] XXX organisation, for instance, were in a sound position, but trying to put together a five-year plan, when there is no indication or where a source funding is not obvious, It's almost an impossible challenge for them at this time. [...] (Directorate Manager, Trust B).*

## 2. One off Certification

One of the major consequences of FT status was the effect of the one-off certification. Trusts were assessed at a specific point in time, in the life of the organisation to become a Foundation Hospital. Depending on the performance of the trust at that particular point in time, they may succeed or fail in becoming an FT. A report from Monitor highlighted the fact that Seventeen out of the Eighty Five trusts that were licensed as FTs were in significant breach of their Terms of Authorization within only eight years of operation (Monitor, 2012). This raised a number of queries about the integrity of the assessment process; it also casts a shadow of doubt on the FT rigour, given the complexity of the framework and the level of rigour involve, failure of FT organisations produced by such framework taints the image of Monitor too, whether its framework was sufficient to guarantee the emergence of a robust organisation, capable of regulating themselves and ensuring survival in the long run. The resultant effect of positional certification has led to a number of other significant problems already and still has the potential to lead to a more costly health service:

a. Poor quality of service

The poor service delivered by some NHS organisations had been a headline issue in the media; in some instances patient mortality had been involved, with a calling for the intervention of the government from the citizens.

b. High cost of regulation

Constant intervention by the government and Monitor in hospital management as a result of trust's delivery of a poor care quality could significantly increase the cost of regulating hospitals. Further cost spent on investigations, litigations and out of court settlement could impact not only on the organisation's image, but also organisations' liquidity and eventually its survival. Such is the case with the Midstaffordshire Hospital, which has proved expensive

to the government in term of the amount spent in setting up enquiry panels to investigate the organisation's failings..

c. A High rate of hospital failure

One-off assessment of hospitals for the conferment of FT status, does not guarantee a sustainable high performance of the organisation. Where organisations are awarded the cape mark of FT and subsequently lack the necessary know-how to stand as an independent entity in terms of managing itself, the Health Care sector is likely to be inundated with a high number of failing hospitals.

## 3. Organisational Distractions

The length of time it takes to go through the process of FT authorisation was perceived to be a major distraction for the organisations, and the FT process continues to be time-constrained and stringent. Monitor's timetable spans over a period of 18-months, through which the board Executives and a few others in the organisations are engaged in the assessment rigours, in addition to their daily organisational routine. The effort and dedication required of the trust in this process was phenomenal. One of the actors described the work load as two and half times the normal work schedule of an Executive member. Another actor attested that the FT process distracts the management's attention away from the daily routines in trust 'C' and that while focussing on achieving the FT milestone, the trust's performance in some of its clinical targets dipped.

## 4. Creation of Dual Reporting Lines

A majority of trusts that applied for FT status were attracted by the organisational freedom it gives, from the CCG and TDA incursions, which in itself reflects the central government's control.  Evidence from the trusts showed that whilst FT organisations were regulated by Monitor, they were still constantly required to submit data returns to their TDAs, though they were not obliged to do so by regulation. The organisations feared that shunning the requests from the TDA might create a bad relationship, which could be costly to the trust.

This meant that FT organisations reports to two masters with different operating formats. Experience in one of the trusts unveiled that the trust sends its returns to Monitor and then amends the same report for the purpose of sending it to the TDA, the amendment of the report is necessary to make it fit the TDA's acceptable format. This is often a loss of working hours in favour of organisational legitimisation, it is also an evidence of non-realisation of the

FT freedom promised - a failure on the part of Monitor to deliver the regulatory framework promised to FTs.

## 5. Spreading 'Fear Factor' within organisation

Another organisational impact is rooted in the organisation's fear of the unknown. This was one of the major reasons why some organisations applied to become FT, especially amongst the late applicants. Actors often referred to some threats made by the regulators, presupposing that the Management board of any organisation that was unable to achieve the status for their organisation would be replaced. This pressure added to the need for organisations to seek legitimizing themselves by all means.

## 6. Depletion of Staff Morale

The overall morale of staff in Trust 'A' was negatively affected by the events that unfolded with the organisation's decision to apply for the FT status. Given that the NHS had witnessed a number of reforms, one after the other, for several years, it took a lot of effort from the Executives to explain and convince their staff about the benefits of FT status. There was evidence of cynicism amongst the staff and a general lack of trust that FT status offered anything good to the organisation or to themselves as individual members of staff. Some of the comments made include -

> *[…].Staff feel really down because every year, we come back to say we need to plan more cost savings, we need improve efficiency, we need to do this or that, I think it is more like demoralising to staff. When we put that hand in hand with why do we have to do this, are we really doing this in order to get FT status? I think that colours their vision for FT status. Rather than seeing the FT state as something to aspire to, it's seen as something the Executives aspire to get, therefore, we have this cost pressures. . […] - (Dep. Director of Finance, Trust A).*

## 7. De-Linked FT reform from Trust Core Duty

The introduction of FT reform in all the trusts affected all departments in one way or the other. This is in terms of the re-organisation and restructuring of various departments; these changes cannot however be traced to the clinical roles of the organisations, which was primarily the patient care. Actors witnessed and attested to these changes in their departments, a change in board composition, changes in line-reporting and the format of reporting in various ways, but they were yet to see any meaningful change in the care pathway that is currently in use, which would influence the overall experience of patients.

*[…] I don't think it has entered their psyche at all. I think whether an FT or not, probably it doesn't matter .......... clinical staff generally judge how they do on clinical outcomes and their academic position and the research that they undertake, but for me FT or not, for the staff, I would have thought it wouldn't matter what we did, unless they see something tangible that impacts on their daily clinical work, I can't see the difference it would make to their psyche […] - (Medical Director, Trust C).*

The implementation of FT status, no doubt affected both the clinical and non-clinical departments of the trusts, but very little effect on care pathways itself. A Nursing Manager commented that the only change in the organisation that would ever be obvious to the patients was the change in the organisation's name, it would only be noticeable, if the patient ever read the signboard located outside the building. Most of the actors emphasised that the attainment of FT status was to make the organisation more efficient and to operate more effectively, and that this had very little to do with the care function of the organisation. This is reflected in the following quote:

*[…] This is not due to lack of effort of the team that are doing it, but I think staff are not interested in FT, it makes no difference to a doctor or a nurse or a cleaner, he is still got to go clean the floor, he is still seeing the patients, so FT makes no difference at all […] - (Clinical Director, Trust A).*

### 7.6.2   Inter-Organisational Behavioural Effects

The most significant inter-organisational influence noticed in the course of FT implementation was the comparison made by the actors between organisations. This was common among actors in trust 'A' (the late adopter organisation), these comparisons tend to shape the behaviours of the actors and influence their decision on FT adoption. They compared their organisation with similar (in size, services provided etc) organisations, which they perceived to be doing well and had achieved the FT authorisation. The basis being that if the other organisation can achieve the FT status, then they must also be able to achieve the same.

Given that some of the organisations had benchmarking partners within and outside their Local Health Economy, there was a constant surveillance of what other organisations (who are perceived to be good) were doing. This comparison influences their decision, whereby they copy the actions of the perceived successful organisation. In other words, some organisations only put themselves forward for FT assessment because other organisations,

perceived to be at the same level and perhaps benchmarking partners had succeeded at achieving the FT status. Inter-organisational pressure was identified as a source of mimetic influence in the late adopter organisation.

The non-FT organisation that participated in this research did not make a formal application to become a FT organisation until five years after FT had been introduced; the organisation delayed the application because of its financial and operational challenges. However they constantly compared themselves with an FT organisation in the local area and firmly reckon that if that other organisation could achieve FT status, then there is nothing stopping them from achieving the same feat. The management board sent staff to a number of FTs to understudy what makes them strong with a view to implementing the same.

The trust 'A' only applied for the FT status, at a time when the FT concept had become fairly well embedded in the NHS system. Key staff within the organisation believed that the major benefits, which made FT adoption attractive at the earlier stage were no longer in existence; therefore, applying was strictly for the purpose of getting the FT badge.

Key staff in the Non-FT case organisation asserted that being an FT would bring some benefits, but not as many as the benefits enjoyed by early adopters, but also not being an FT meant 'not belonging' in the Health Care Sector.

Judging from the trust's motivation to become an FT, they were simply steered by two different influences, firstly, by an inter-organisational pressure, from which they made other organisations a yardstick to gauge their chance of success and secondly by the need to seek survival, which emanated from the government's threat to close the FT gateway at a certain date (Currently March 2014).

## 7.7 Summary

This chapter discussed the second construct of the thematic analysis, where the 17 first order constructs were layered with NIS and the researcher's experience of the Healthcare sector to form the final 9 themes, called the second construct of the research. The chapter also provided a summary of the process undertaken to reclassify into themes, highlighting the relationship between the themes, thereby justifying the emergence of the core code, which shows the organisations' Struggle for Compliance. The thematic synthesis flagged up the central position of accounting as the main instrument, a tool to control and make the organisations comply with the Authority's directives. It elaborates the interaction between the action of the government, the reaction of the organisations and the outcome of this

interchange. The next chapter discusses the core code in detail in line with extant literature, showing the findings of the research in detail.

# Chapter 8

## Thematic Analysis of Struggling for Compliance

## 8.0    Introduction

This chapter describes the engagement of the thematic analysis of a struggle for compliance in the light of relevant extant literature. The purpose of using NIS as a lens was to build a robust understanding of the FT phenomenon and to ascertain the relevance of the theory to the behaviour of the NHS organisations unveiled in this study. NIS has been discussed in detail already in Chapter three, and so this chapter focuses on the new institutional Sociology (NIS) and its relevance to the findings of this study.

## 8.1    Research Discussion in the light of NIS

Adoption of innovation has been discussed in general from several theoretical perspectives, including institutional theory. In particular, the NIS possesses an appropriate framework, which covers the same corollaries observed in the implementation of the FT reform in the NHS. In the choice of a theoretical lens for this study, a relationship was established between the subject of the research, the nature or context of the actor's environment and, the most appropriate way to extract knowledge from these actors and their setting.

This research captured three specific events in the process of FT adoption, originating from the behaviour of the actors within the organisational setting, as shown in Figure nine below. The first event was the mode of interaction between the various actors, both at the macro- and micro-levels of the organisation, which reflected the actions of the regulators. The second was the reaction of the NHS organisations, while the third was the outcome or the resultant effect of the first and second process.

The general sense drawn from the FT implementation process exposed the central aspect of the finding, which represents the core phenomenon in the entire FT mechanism. The organisations' struggle with the adoption of the FT innovation immediately became obvious as the central result of this study. Persistent attention to the process of FT implementation uncovered the organisations' struggle in their bids to comply with the various formalities required to achieve the FT authorisation. Investigating the process of FT implementation assisted in understanding the nature of the accounting and governance change involved in FT, and the response of organisational actors to the regulator's push to adopt the FT status.
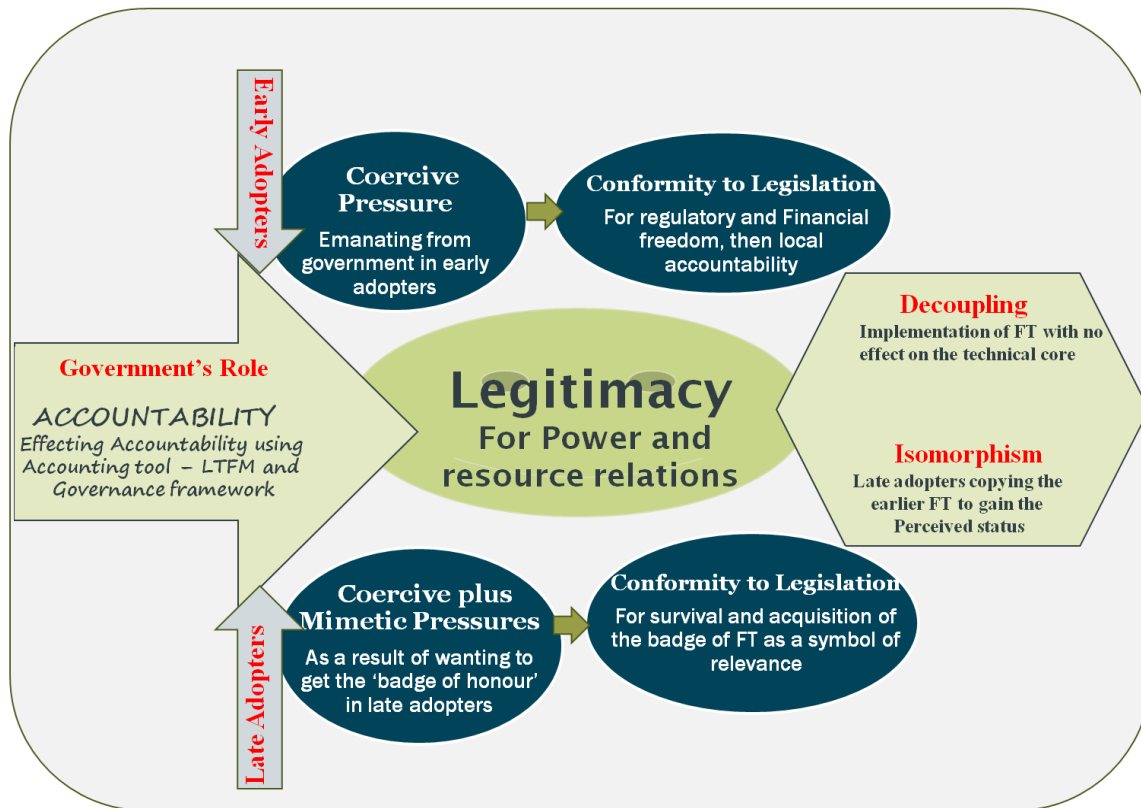
***Figure 10*** *- Struggling for Compliance - Summary of the central phenomenon*

In the assessment of the interactions at both the macro- and micro-levels, the macro-level described the interaction between the regulating bodies of the NHS (TDA, Monitor, DoH and other NHS trusts) and the individual NHS organisation; this was noted as a type of an inter-organisational field, because these bodies remained an external constituent of the NHS trusts. There were also the micro-level relationships, known as the intra-organisational field, this represents the NHS organisation itself (workforce) and its environment, including its cultural and administrative practices. The micro-layer of the relationship was that aspect of the institution that was responsible for the implementation of the FT innovation, directly influenced by the rules and pressures to adopt the FT change. Also enclosed within the micro-level were the managerial manoeuvrings or attempts to acquire legitimacy in the process of achieving the FT authorisation, which was addressed in the NIS as common methods of employing buffering and bridging mechanisms (Scott, 2003).

The core phenomenon identified in this study emanated from the formal rule or directive, which consisted of two subcategories, namely, the organisations' motivation for adopting the FT reform and the attendant difficulties experienced in the course of implementing the reform. The coercive and subsequent mimetic influence noted in the organisations' adoption of the new rule was extensively addressed in NIS and in loose coupling literature (Burns and

Scapens, 2000; DiMaggio and Powell, 1983; Lukka, 2007; Modell, 2002; Oliver, 1991; Scott, 2003).

The motivating factor behind the NHS organisations' push for the adoption of the FT status was wholly driven by a coercive pressure from the macro-environment, in the form of rule enacted by the NHS regulating body; the rule mandated the organisations to seek the FT status as a requirement for continuing existence. Therefore, in reaction to the establishment of rules, the NHS trusts embarked on a number of strategies to engage with the challenges imposed by the new ways of working, set out in the NHS Act 2006. The organisations responded in two main phases, the first was directed at the uncertainty diffused within the organisations by the complex rule and the second was the use of a game-like compliance and managerial manoeuvring to circumvent the rules within a reasonable and acceptable boundary, in an attempt to seek legitimacy.

This reaction was found to be synonymous with the NIS description of organisations' attempt to gain legitimacy, either as an instrumental or ceremonial feature (Suchman, 1995). In the FT instance, there was a more elaborate focus on the concept of institutional entrepreneurship, which offered fresh insights into understanding the rise of new institutions through the introduction of actors and human agency roles (DiMaggio, 1988; Fligstein, 1991). Similarly, the concept of loose coupling was implicated in the actor's behaviour, this explains the ceremonial adoption of the FT reform and the display of attendant power and self-interests of the managers within the web of policy adoption in the organisations. (Abernethy and Chua, 1996; Collier, 2001; Covaleski and Dirsmith, 1988; Tsamenyi et al., 2006).

The final phase of analysis dealt with the outcome of an interaction between the institutional actor (the Government and Monitor) and the Organisations, which resulted in a mixture of positive and negative consequences. The outcome was broadly in line with NIS findings in other studies, it reveals the response of the organisations to institutional processes, the consequence of which may result in the acquisition of legitimacy, with or without the achievement of internal efficiency. The results also showed that the degree of legitimacy acquired and efficiency achieved is an indication of the extent of the buffering of the new rules to the actual practices within the organisations (Covaleski and Dirsmith, 1983; DiMaggio and Powell, 1983; Meyer and Rowan, 1977).

## 8.2 Struggling for Compliance within the organisational Framework

Struggling for Compliance illustrates the core finding from the study of FT implementation within the NHS as highlighted in 7.3. The study found that the reason behind the struggle within the organisations was rooted in the organisations' desire to acquire legitimacy through the implementation of a complex FT rule; the adoption process is also located within the context of organisational power relations and managerial manoeuvring.

### 8.2.1 Struggling for Compliance: A shift in organisational routine

Organisations' struggle for compliance with the implementation of Foundation Status reform referred to the determination of the actors to align with the mandatory requirement of their regulators, by complying with all the accounting and governance changes required in order to qualify for a new status. This process involved a lot of rigour and complexity in terms of the stipulated target in the assessment pathway. Some of the changes introduced by the new rule include a change from the conventional annual budgetary practices, adoption of a new risk rating system and the diffusion of a new governance template.

The FT rule extended the organisations' planning horizon from one year to a minimum of five years. Generally, aspirant FT organisations were required to present a five year plan on the Monitor's LTFM, at post-authorisation the requirement became reduced to a three-yearly plan. Considering the unpredictable nature of service delivery parameters, such as the political, economic, cultural and demographic changes, the actors complied with the requirements but with difficulty, firstly, because they lack the necessary manpower with such skill set and secondly making an accurate, or near accurate plan for the period stipulated within the set of information in their possession was a tall order, if they were to achieve any degree of certainty. However, because the requirement was an institutional rule necessary for the achievement of the FT status, non-compliance with the rule was not an option.

In addition to the challenge of five year forecast, the NHS organisations were also required to seek the support of the members of the public in their bid for FT status. Engagement in a public consultation process, meant the trust board must be involved with road shows and meetings with members of the public in locations within the local community, to explain their intention to adopt FT innovation, and also to seek public membership onto the organisation's board of Governance. This public engagement was an additional task to the normal role of the managers, which added to the struggle, as it demanded additional time and dedication from the trust management.

The study noted that the organisations, faced with the various FT challenges, engaged in several gaming strategies to comply with the mandate (Modell, 2001). This type of compliance was referred to as a ceremonial compliance rather than an instrumental conformity. Ceremonial compliance was often noticed not only as a product of organisations' unwillingness to comply or resist innovations (Burns and Scarpens, 2000; Siti-Nabiya and Scarpens, 2005), but also as a result of contradictions in the rules (Covaleski and Dirsmith, 1983; Meyer and Rowan, 1977).

The coercive pressure from the government in the form of an institutional rule, which was directed to foster a local accountability between the NHS organisations and the public, pushed the organisations to both the government and their public constituents. This connection strapped the organisations to the achievement of a dual legitimacy automatically (firstly, from their regulators and secondly, the local community). The organisations showed an absolute resolve to achieve the FT status by seeking legitimacy from the two parties, firstly the regulators, for the purpose of survival, and secondly, the members of the public, through a public consultation process, to assert its credibility and gain acceptance, in a ceremonial fashion as observed in Trust 'A'.

The study also showed that the organisations' motive in their engagement with the FT process was to benefit from the privileges offered by the new status. This was especially the case with the early adopter organisation in this study. The process of engaging with the public in some organisations reflected manipulating legitimacy, as observed in the late adopter case study. The time taken by this process and the outcome achieved represented a compromise in organisational efficiency (Covaleski and Dirsmith, 1991). The next few paragraphs describe how organisations were influenced by the regulators and the organisation's reaction that gave rise to the outcome of the FT implementation.

### 8.2.2 Institutional Pressure to Acquire Legitimacy

Institutional pressure was the primary influence that steered the NHS organisations in the direction of seeking legitimacy; and it took the form of a coercive pressure from the government. The main source of the coercive pressure was the Secretary of State for Health, who established the complex FT rule, and then appointed Monitor, for the administration of the FT reform. The adoption of the status involved organisations' compliance with Monitor's financial and governance framework (the inclusion of the public on the board). This was operationalized through the completion of a Long Term Financial Planning (a minimum of

five years budgetary planning) and producing evidence of board Governance that was fit for purpose by the organisations. The organisations in return for compliance acquired operational freedom, with a change in their reporting line from the Secretary of State to Monitor. They were also rewarded with financial freedom, a freedom to retain their surpluses (profit), power to borrow from commercial sources, to invest and manage their own assets.

Coercive pressure was the only influence at work and was noticeable at the early stage of FT introduction. Adoption of FT status became more popular over time; most of the strong and high performing organisations were able to scale through the adoption process, while majority of the weaker organisations struggled along the adoption pathway. This study observed that the nature of the pressure amongst the late adopter organisation was not only coercive but also involved a mimetic pressure, as these organisations were influenced to seek legitimacy not only for survival through the regulator's coercion, but also to prove to contemporary organisations, service users and various stakeholders that they were capable of achieving the FT feat. As a result, they adopted the standards and templates of similar organisations by copying earlier adopters of the status who had been successful. The knowledge acquired from successful organisations initiated the mimetic pressure on the actors. This mimetic behaviour was predominantly found in the late adopting organisation.

For the early adopter, coercive pressure to implement FT reform was found to align with the organisations' efficiency and growth plans, which may have reduced the level of struggle experienced by those trusts. Staff within those organisations had a very different view about their role and outlook regarding the work they did. They were found to be more sensitive to the trust's liquidity position, and they exhibited a superior awareness of the trusts' plan. There was evidence that early adoption of the FT reform was linked to the organisations' strategic motives (Oliver, 1991; Tolbert and Zucker, 1983). While the pressure to achieve FT status was equally meted to all organisations, the late adopter exhibited a different outlook as they sought the status.

On a general note, the organisations while in the process of adopting Monitor's accounting and risk management tool, paid less attention to pressing managerial and financial complexities within the organisation, in favour of the institutional pressure for FT adoption. As a result, the FT distraction had a considerable consequence on organisational performance in some of the trusts. This partly explained the level of resolution or desperation as the case may be on the part of the organisational management to implement FT rules.

The respondents from the late adopter case study expressed concern about the spread of uncertainty and the levels of dissatisfaction amongst staff, which pervaded the trust as a result of the FT authorisation uptake. The spread of uncertainty has been linked to Mimetic pressure (Dimmagio and Powell, 1983). This includes uncertainty of technology, symbolic uncertainty, and ambiguity of organisational goals (Dimmagio and Powell, 1983; Ribeiro and Scarpen, 2006). This study highlighted the type of mimetic attributes, commonly found in managerial actions, at the point of reform uptake, and found that it was usually a taken for granted assumption rather than a strategic choice (Oliver, 1991; DiMaggio and Powell, 1983).

In this study, seeking legitimacy was initiated by the establishment and adoption of the FT rules. The FT rules relied significantly on the use of accounting as a basis for administering trusts' authorisation, which fostered a new governance and accountability form upon them. Enforcement of the rules resulted in the managers' adoption of the instrumental, ceremonial (Covaleski and Dirsmith, 1991) and strategic decline features in the course of implementation. While instrumental adoption is suggestive of efficiency value for legitimacy, ceremonial adoption ignores working towards efficiency and accountability value for legitimacy, it is rather based on superficial compliance to acquire the FT badge. Strategic decline value describes actions of the organisational actors rooted in manipulative legitimacy at the risk of organisational efficiency.

### 8.2.3   Institutional Process and Power Relations

The ability to initiate a change in organisational environments is a function of individual or group power. Individual or group perceptions of an innovation or the presence of distrust amongst organisational actors do not result in any change in the direction of innovation or the mode of implementation unless those individuals or groups had organisational power or access to steer it otherwise. (Goddard and Powell, 1994).

The way power was seated or its distribution amongst the members and managers, and on larger scale, between the corporate centres and departments, in the three organisations varied extensively. Power distribution was the main determinant of each organisation's ability to either accept or reject institutionalized practices. This is a key part of any organisation's life (Greenwood and Hining, 1996). The role of intra-organisational power relation was noted in two distinct areas among the case organisations, namely - the self-interest of the Management to acquire FT status and the Management's power to influence this motive. The rationing of

power through the flow of information in Trust 'A' was a major factor that placed some staff in a better power stead over the others in the organisation.

### 8.2.3.1 Self-interest to Improve Internal Efficiency

The organisations' drive to adopt FT reform involved two main elements; the first was the organisations' self-interest to improve their operational efficiency and the second was the theoretical game-like conformity in response to a coercive pressure (Lowe, 2000).

Successive governments in the UK had introduced and re-introduced several reforms into the NHS to improve efficiency standards within the Healthcare sector; reflecting the pivotal role of the NHS as the powerhouse for the health and well-being of the citizens. Following the continuous deplorable state of the NHS finance starting from the 2003/04 to the 2005/06 financial year that witnessed the dearth of financial management within the NHS system, thereby creating a dire state of financial challenge in the Healthcare sector (DoH, 2007), the institutional response to the problem amongst others, was the introduction of FT status, which was expected to foster organisation freedom, drive efficiency upwards and encourage innovation within the NHS.

The Managements' keen pursuit of an improved internal efficiency, witnessed in the early adopter, reflected the regulator's intention behind introducing the FT reform. There appeared to be a seamless transition for the early adopter from the financially challenged regime into the FT regime. The early adoption of the FT status showed the pursuit of an efficiency motive by trust 'B', even though this was in response to an institutional pressure (Modell, 2001). It was also a proactive action on the part of the organisation, who was seeking organisational efficiency (Oliver, 1991; Powell, 1991).

The self-interest motive of Managers in Trust 'B', especially was found to be positive, as it was invested into seeking both the efficiency and the legitimacy of the organisation, through the adoption of the FT reform. Trust 'C showed a similar pattern but not as well evidenced as Trust 'B', which had the FT status a lot earlier. It was unclear, which of the two concepts (efficiency and legitimacy) was more active. On the other hand, the evidence of Management's self-interest witnessed in the late adopting organisation was primarily channelled towards the acquisition of status. The inclusion of several creativities and manoeuvres in the course of FT implementation did not portray a pursuit of organisational efficiency.

Organisational actors in the late adopting trust proactively sought legitimacy for the purpose of survival, without any clear evidence tied to their interest in driving organisational efficiency. It was also clear that this was as a result of the trust's desperation to achieve the necessary criteria for authorisation and their inability to perceive the benefits offered by FT status in support of the organisation's internal efficiency (Tolbert and Zucker, 1983).

**8.2.3.2 Management Power to influence organisation direction**

A double layer of power was observed in this study. The first was the regulator's power to impose either a status or a sanction on the NHS organisations as they went through the FT authorisation process, thereby satisfying the regulator's self-interest at the macro-level, and wielding of its coercive influence. The second was at the micro-level, and referred to the organisational Management's pursuit of self-interest under the guise of adopting the FT mandate, in order to promote an intra-organisational change (Covaleski and Dirsmith, 1991). The use of power in an organisational setting may result in either a positive or a negative effect on organisation's well-being (Gidden, 1996).

When undertaking a study about institutional change, it is often useful to establish the relationship between the change in question and the role of organisational actors in terms of power possession. Matching the actions of the actors to the FT adoption pathway within the change process elaborates the full ramification of the FT reform, especially in this study, where the change was no doubt as a result of an external pressure (Tsamenyi et al., 2006). Early meetings were held prior to the implementation of the FT change in each of the organisations, where Managers explained the basis and intent of the FT reform to staff. It was expounded further by using several modes of communications, namely web shots, intranet sites, internal memos and circulars. The staff's response to this information varied from one trust to the other, but a level of deviation was apparent between the early and the late adopter in this case study.

Some of the staff who witnessed the levels of destabilisation and distrusts in the late adopter organisation, as typified in the depletion of staff morale, queried the benefit of the FT reform; most of them showed no interest in the change, and were appalled by the level of disruption caused by the change, which they found not worthy of the benefits FT offered. In trust A, the adoption of the reform was slowed down as a result of the trust's poor performance against the requisite major targets, thereby prolonging the dissatisfaction of the staff, unlike in trusts B and C, where the adoption of FT proceeded unhindered. The key success factor noted from

these trusts was the centralisation of decision making power, which shifted the implementation away from the operational to the strategic level of power within the organisation; hence, most of the staff did not fully understand the full process of FT authorisation in its detailed form (Modell, 2002), because they operated at the operational level. Notwithstanding their power location in the organisation, they found FT update communicated to them adequate and satisfactory.

The use of power in these organisations does not logically imply the existence of conflict (Giddens, 1976). Power can be both enabling and conflicting (Giddens, 1976, 1977). Therefore, both powers can co-exist within an organisation (Tsamenyi et al., 2006). The type of power exercised to facilitate the FT change was determined by organisation's climate at the time of adopting the change.

In the early adopter organisations, where the knowledge of FT adoption was shared amongst staff with frequent and continuing follow-up updates about the application progress, the staff understood what FT meant to them and their working relationships. In addition a number of the Middle Management staff were actively involved in the implementation process. Management power was found not to be in conflict with the staff and the adoption of FT status, even though it was a coercive influence, it was well communicated. Management's self-interest was channelled towards benefitting from the freedoms offered by FT authorisation; these enabled a successful implementation, which was well controlled without any major resistance from the staff, therefore, the Management's strategy was perceived as enabling.

The experience at the late adopting trust was in sharp contrast, as staff struggled to understand their relevance to the process of FT adoption. Information about the process was patchy and not detailed enough, so that staff updated themselves with information from multiple sources and no one was sure of the true position of the organisation's FT application. Staff were aware of the various change programmes taking place within the organisation - they witnessed staff redundancies and reorganisation of departments, which they assumed was in relation to trust's readiness for FT status, but they were not clear, if these changes were required for the FT process. The trust Management were neither proactively involving the staff in the process nor effectively disseminating adequate information to them. The type of power observed in this organisation compromised the organisational efficiency (Scarpen, 1997).

Conflicting power may result in a ceremonial aspect (Nor-Aziah and Scarpen, 2007), while enabling power may result in an instrumental aspect of accounting change (Collier, 2001). The power of the Management in the late adopting trust was in conflict with the objective of the reform, in addition, it complicated the organisation's financial and governance states. The interest of actors in this organisation was divergent, and thus exhibited the dominance of a conflicting power (Gidden, 1996).

### 8.2.4   The Institutionalization of Complex/Ambiguous Rules and Loose Coupling

The continuing adoption of the FT rules paved the way for the establishment of the FT reform, thus making it a norm within the NHS. Within an organisational context, rules, beliefs and norms usually become institutions (an embedded norm, ways of thinking and operating with the social system) as a result of the repetitive reproduction of habits and routines over time (Ribeiro and Scarpens, 2006). The spread of FT reform established the institutionalization of the rule within the NHS and reveals loose coupling features within the implementation framework.

### 8.2.4.1 Institutionalization of Foundation Trust Rules

When the FT status was introduced, the legislation left all NHS provider organisations in England with no alternative outside of active adoption of the FT reform; the continuing uptake of the reform marked the beginning of institutionalization of FT status. Within a few years, the regulations became established as a rhetorical part of the social system, which is known as the process of institutionalisation as it develops over time in the life of an organisation. Zucker (1997, 728) noted that -

> *'Institutionalisation is both a process and a property variable'*

Tolbert and Zucker (1996) noted that the process of institutionalization starts from the introduction of an innovation (activated either by technology, legislation or market forces). When it becomes accepted by actors in the social system, this marks the habitualization stage and it later moves to the operationalization phase. when actors develop consensus among themselves for the innovation and increasing adoption on the basis of this consensus, it reaches the objectification phase, from which it reaches the last stage, of sedimentation, where the innovation settles in the system and spreads over several generations of actors.  It is quite unclear at the moment the stage at which FT status has reached. However it is reasonable to assume that it has attained the objectification stage.

Events within the NHS organisations since the introduction of the FT reform highlighted the importance of power in institutionalisation process. The level of power also defines the longevity of innovation. Burns and Scapens (2000) identified three levels of power in institutionalization process. The first level of power is the enactment of rules and routines, at this level the powerful forces in the system may introduce an innovation such as a new accounting system, and this powerful force may also be an internal or external component of the organisation, such as in the case of FT status, where innovation was activated by an external force.

In instances where new rules have been misunderstood or misconstrued, there is often a need for an amendment of those rules to incorporate a modification that would re-align the actors with the motive of the innovation (Burns and Scapens, 2000). As part of the institutionalisation process in the NHS, over the period of FT uptake, there has been a need to make changes to the implementation framework, a need to align the change with its purpose. This brought a number of modifications to the roles and responsibilities of the NHS regulatory bodies. The modification involved the setting up of a new body known as the Care Quality Commission (CQC), which was set up to take charge of clinical regulation of the NHS, while Monitor continued to manage as the financial regulator. This describes the second level of power as argued by (Burns and Scapens, 2000), the re-enactment and reproduction of rules and routines. At this level of power, during the implementation of established rules, an innovation may be seen as merely ceremonial for legitimacy reasons, or instrumental as a tool for efficiency, or even strategic as a result of the actors' self-interest motive. This depends upon the way rule it is perceived by the individual actors and their contexts. A varied reaction was observed from the case studies, ranging from actors' manoeuvres and games to a well-articulated implementation process targeted at organisational efficiency, which separated the early from the late adopters in a marked way.

As the FT uptake progressed, the NHS network became saturated with the diffusion of what was known as the Financial Risk Rating metric, a product of the FT's way of working; this became a language that pervaded the entire system as the assessment benchmark for projects and services developed within the organisations. This explains the third level of power (Burns and Scarpen, 2000). This level of power involved the encoding of rules and routines and their re-enactment as the universal and unquestioned ways of thinking and doing. At this level of power, the ceremonial, instrumental and strategic deterioration aspects become unquestioned ways of thinking and performing in the organisation (Burns and Scarpens, 2000). The

progressive entrenchment of this power into the NHS facilitated the process of institutionalisation, thereby enhancing the continued permeation of FT reform into the system.

The timing of adoption was also noted in the institutionalisation process as a major driver of adoption uptake, which was similar to the findings of an empirical study (Tolbert and Zucker, 1983), which unveiled that the first municipalities to adopt Civil Service reforms were driven to engage in the process for competitive reasons. Later adoption was driven by Municipalities trying to conform to what had become accepted practices. This finding fits well with the inference noticed in the early adopter of the FT reform, who made a strategic choice associated with their internal characteristics. The late adopter instead responded to pressure in order to be seen as progressive and to maintain legitimacy as the reforms became more popular.

### 8.2.4.2 Loose Coupling

The motive behind an organisation's decision to adopt a change is often the main determinant of how such innovation is implemented, and the nature of the motive is also influenced by the prevailing circumstances of that organisation at the time of adoption. An efficiency motive may exist as the main reason for innovation uptake, as observed in the early adopter of the FT reform. However, the efficiency motive may be dropped or replaced with other prevailing motives. It is also possible for the focus of the motive to be diverted to other areas of the organisation's operations. This study identified that the early adopter of the FT reform took on board the motive for which the FT innovation was created, while in the case of the late adopting organisation, the underlying motive for adoption was for a ceremonial reason. It was no surprise, therefore, that the implementation of the rules and regulations were loosely coupled to the core services of the organisation (Lukka, 1997; Modell 2002). This was evident in the perceptions of the actors, who declared that the adoption of FT had no effect on their organisation's services and that patient care remained the same as it was prior to the FT change.

This study found four areas of loose coupling, especially from trust 'A' case study, testing the same phenomenon in Trusts 'B' and 'C' was not possible as the trusts unlike trust 'A' are full licensed FTs. Firstly, the use of the LTFM was found to be loosely coupled from the actual practices in the hospitals wards; secondly the performance monitoring mechanism did not interface with the events in the wards in any way. Thirdly, the Management's self- interest

motive, even when it was efficiency driven, neglected the core area of service as part of its consideration, which was more relevant to the delivery of an efficient and effective service. Instead they were driven by management efficiency and were focused on delivering a year-end profit rather than delivering a top notch patient care. Lastly, the five-year service projections incorporated in the LTFM were arguably often uncertain, given the vagaries surrounding changes in the economy and the NHS environment, especially amidst the changing political system. As a result, it was difficult to monitor or evaluate the quality of the financial forecasts.

Loose coupling was not only a mediating tool between efficiency and legitimacy, but also a mediating tool within a system characterised by complex rules, disconnected environments and multifaceted intra-organisational power relations. The term loose coupling has also been referred to as decoupling in some of the literature. Loose coupling is a common way by which organisations deal with conflicting institutional pressures in public sector organisations, by de-coupling the control systems in use at different levels of the organisation (Covaleski and Dirsmith, 1983; Ansari and Euske, 1987; Pettersen, 1995; Abernethy and Chua, 1996). In organisations, de-coupling refers to the separation of the causal connection between two organisational elements. It indicates a blurring of the lines of interdependence and control between groups (Weick, 1976). De-coupled elements relate to each other in a very loose manner as they share few activities. One de-coupled element can be eliminated or replaced without severely affecting the other. De-coupling can also be defined as the process of disintegrating the structural elements of different parts of an organisation in response to institutional pressures to comply with inconsistent norms (Meyer and Rowan, 1977).

Various circumstances, such as the adoption of innovation, the establishment of complex rules, and the maintenance of legitimacy explained in this study, were in line with the empirical reasoning of loose coupling within an institutional context. Organisations within an institutional environment, such as the NHS, have often been noticed to de-couple formal structures from their technical core in order to maintain external legitimacy, that of their regulators and the public, while retaining organisational effectiveness (Meyer and Rowan, 1977). In situations where legitimacy co-exists with efficiency without a contradiction between the two pressures, loose coupling may play a more significant role than merely being a point of mediation between the two pressures. This NHS case study highlighted loose coupling in the contexts of formal rules, the rules, which facilitated changes in the accounting and governance system of the organisations, without necessarily making the desired change

in the practices experienced in the medical divisions and wards of the organisations (Burns and Scarpens, 2000).

## 8.3    Full Account: Struggling for Compliance

The analysis of data obtained from this study presents a rich theme of organisations' struggle for compliance in the course of FT implementation. This became the central phenomenon of this study. The analysis identified the main sources of the struggle and drew on extant literature to explain the various behaviours highlighted in the process of the struggle within the organisations.

The full account of this study presented firstly, the central phenomenon of the organisations' struggle, secondly, the organisational practices in the process of struggling for compliance, and finally, the outcome and consequences of the process of struggling for compliance.

### 8.3.1   Struggling for Compliance: The Core Phenomenon

The core phenomenon of struggling for compliance described the experience and outcome of the FT process in NHS organisations, presenting the resolve of the organisational actors to implement the required accounting changes in order to qualify for a new status, in spite of the complexity involved in the process. The key reasons behind actors' adoption of the FT rules, was firstly, to acquire legitimacy and benefit from the FT freedoms, secondly to gain efficiency within its system and finally to actualise Management's self-interests within the organisation (Abernethy and Chua, 1996; Collier, 2001; Covaleski and Dirsmith, 1988; 1991; Oliver, 1991; Tsamenyi et al., 2006).

The organisations' struggle for compliance consisted of three main phases, firstly, the introduction of the FT rules into the NHS, secondly the organisations' desires, which explained their motivation behind seeking FT status and finally, the process of implementation of the change, which explained the establishment of the rules. The individual organisational motives for the adoption of the FT rules informed other aspects of this study in major ways: In the course of the study, organisations' motive for adopting FT were found to become apparent during the establishment of the rules, and the establishment of the FT rule represents the activation of accounting changes within the organisation. Rhetorical rules and regulation were established through various legitimating tools such as manuals, guidelines and acts of parliament. The establishment of the rhetorical rules was necessary for the achievement of efficiency and the acquisition of legitimacy; it was also an equitable basis upon which organisation's commitment to the implementation of the change is measured.

Some studies (Uddin and Tsamenyi, 2005; Williamson and Canagarajah, 2003) have suggested that the actual practice within an organisation may not have changed or be in existence long after changes were assumed to have evolved in a tangible way, resulting in organisational practice lagging behind the change rhetoric.

The mandatory call, for all NHS trusts to implement the FT innovation without any other choice if they were to survive as an organisation, was a coercive pressure from the NIS perspective. This force was engaged by the government to steer organisations into adopting the rules. Also attached to this pressure were the benefits or freedoms offered by the government to all organisations that successfully implemented the rules. The attachment of benefits to compliance was the primary motivational factor noted in the early adopter of the change.

It is also reasonable to note that the early adopter of the FT innovation was attracted by the efficiency motive offered by the change, which, in turn, propelled them to seek legitimacy. The assumption that efficiency and legitimacy were fundamentally dichotomous was one of the areas that was criticised in the earlier propositions of NIS. This was later addressed by several studies in NIS (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), which proposed that the two are indeed independent factors in organisational behaviour. The intermingling of efficiency and legitimacy is arguably a challenge in the NIS literature (Scott, 2001). This study supports the view that efficiency and legitimacy are intertwined through a proactive mimicking of the organisational actors (Modell, 2001).

The motivation of these case organisations was not totally void of self-interest. This study observed that organisational actors had their own motives, which may have supported, compromised or even contradicted the regulator's motive. It was unclear, which motive dominated at any particular point in time; nevertheless some studies have suggested that, legitimacy may be a dominant factor during organisational decline and at a relatively early stage of the adoption of innovations (Covaleski and Dirsmith, 1983; Lowe, 2000) and that efficiency may also be a dominant factor over legitimacy for the early adopters of innovations (Tolbert and Zucker, 1983; Westphal et al., 1997).

It was noted from this study that legitimacy was active in the majority of the time in the late adopting organisation. Major changes were made to the FT structure, which reduced the FT benefits, and resulted in non-FT organisations enjoying some of the benefits, which were hitherto exclusively for FTs. Thus all organisations were able to access most of the FT

benefits, except for the change of name and the regulatory adjustment - reporting from the TDA to Monitor, which distinguishes the FTs from the rest. In addition, it was observed that the sought for legitimacy in trust 'B' was primarily for the organisation to be seen as belonging to the 'FT group' and not strictly for the purpose of achieving a better or a more efficient organisation.

The NHS organisations' struggle to comply with the FT rules depicted in this study, is similar to the operational difficulty noted in the implementation of accounting changes in organisations (Lukka, 2007), which found that management accountants from the organisations struggled with their everyday activities. This study asserts that the inability of the trusts to achieve their FT targets was an operational difficulty, triggered by the introduction of the new financial and governance model, and this formed the basis of the organisation's struggle for compliance.

### 8.3.2    Actual Practices in Struggle for Compliance

A number of other events occurred in NHS organisations during the implementation of the FT rules. The implementation of rules in an institutional process is often characterised with the emergence of various types of organisational activities and routines, which are neither part of the rule nor the implementation plan and not set out explicitly within the rules (Burns and Scapens, 2000). One of such events is the spread of uncertainty in the organisations at varied quantum from one trust to the other. The emergence of uncertainty within the organisations represents one of the unintended features, which had a spiralling effect on the staff and Management, especially at the late adopter case study. Other examples include the traumatic experience of staff as a result of job losses in the process of structural re-organisation. The FT implementation also witnessed enormous managerial manoeuvrings, displayed in actors' attempts and games in the implementation phase of FT.

The various actors' motives were revealed in the course of implementation of the reform; typified in the occurrence of various attempts and games highlighted the existence of a ceremonial feature, as a result of the actor's rationale for legitimacy. It also unveiled an instrumental or ceremonial standpoint where the actors' value promoted efficiency or legitimacy in the strictest sense. At the other extreme it portrays a strategic deterioration values (Burns and Scapens, 2000; Covaleski and Dirsmith, 1991; Lowe, 2000; Lukka, 2007), in instances where the motive of the actor was dominated by self-interest. The organisational forms – instrumental, ceremonial or strategic deterioration, exhibited by the actors depended

on the nature of the innovation concerned, the prevailing intra-organisational power relations and the organisational circumstance. (Burns and Scapens, 2000; Collier, 2001). This behaviour was as a result of social dilemma (Elner, 2005). Organisations may display more than one single motive at any point within the process of adoption of an innovation; while some may display the ceremonial motive, others may be characterised by both the ceremonial and instrumental motive (Burns and Scapens, 2000; Covaleski and Dirsmith, 1991).

Given the nature of the NHS provider sector, which was fragmented on different fronts (both externally and internally), ranging from size, financial performance and speciality, the introduction of a complex rule within this environment resulted in the display of instrumental, ceremonial and strategic deterioration values. The occurrence of a ceremonial or strategic deterioration value was also dependent on the contextual impact of the mix between three factors, namely, the level of fragmentation in the environment, the complexity of the innovation and conflicting power relations within the organisation. Organisations have been known to devise coping mechanisms to overcome the contradiction initiated by complex rules within a fragmented environment (Lowe, 2000; Lukka, 2007).

Fragmentation within an internal environment influences the way an organisation responds to institutional and organisational pressures. This plays a major role in the occurrence of loose coupling between organisational practice and the institutional expectations (Orton and Weick, 1990). On the other hand external fragmentation influences organisational innovation and creativity, either negatively or otherwise. This could be as a result of the regulator's heavy handedness on the trusts, which created a sense of loss of power for the actors, thereby causing them to place too much reliance on the regulator.

Within the context of FT implementation, the completion of the five-year financial model was a ceremonial compliance in trust 'A', in view of their inability to accurately predict their financial performance over the next five years. The analysis of the documents in trust 'A' revealed that the formulation of these figures involved gaming, where the organisations attempted to reflect the required financial risk rating criteria expected by Monitor, not because they were sure they could achieve such risk ratings. It followed, therefore, that the plans shown on the pages of the LTFM and the integrated business plan did not reflect or predict the current position of the trust or the five year forecast position accurately (Meyer and Rowan, 1977).

The presence of ceremonial compliance further strengthened the evidence of loose coupling seen in these organisations. The forecast shown in the LTFM should reflect the level of income expected from the services delivered, these services were intrinsically linked to the core business of the organisation, but since it was impossible to accurately estimate or predict the type of service required or the quantum of care needed in the Local Health Economy in the next few years, the actors manoeuvred the requirements by inventing financial estimates without any reference to future service demand. Instead they used parameters. Such as inflation uplift and estimated demographic changes, which were not certain. This meant that the forecasts were totally detached from the Care Delivery Plan. This is a proof that their compliance to FT reform was only enacted to fulfil the ceremonial or even strategic deterioration values, notwithstanding the convergence between efficiency and legitimacy motive.

Adoption of the FT rules witnessed an active uptake of Monitor's workforce hierarchy template without any scientific knowledge to assess its suitability for individual organisations. The adoption, however, facilitated the loss of jobs for some employees, heavy investment on the part of the trust to hire consultants to conduct recruitment interviews, and a general depletion of staff morale in the organisation.

Strategic deterioration values became dominant in the organisation during the implementation of rules in instances where compliance with an accounting change (within the framework of complex rules and fragmented environment with conflicting powers) deposed the organisation's objectives in order to serve the interests of the regulators. This was mainly found in the late adopter case study, who adopted the change as an opportunity to obtain a status symbol. This value created a thriving atmosphere for games, as Managers necessarily strived to satisfy the desires of the regulator. The reign of games and attempts was made possible by the presence of power within the organisational Manager's value. In addition, the process of seeking legitimacy, therefore, aligned with the self-interest motives of the Managers to the detriment of the wider organisational objective. (Covaleski and Dirsmith, 1991).

Intra-organisational power relations played a substantial role in organisation's' Struggle for Compliance. The interaction between legitimacy and efficiency are both internal features of the organisation, and are also located within the framework of power relations (Collier, 2001) The activation of these powers can be both enabling and conflicting (Giddens, 1976; 1997) and both aspects may occur simultaneously in the process of struggling for compliance as

observed in this study. These powers operated differently amongst the groups of organisational actors; it was noted that the introduction of FT reform was within the atmosphere of an enabling power given to Monitor by the NHS Act (2006), with which it exerted pressure on individual organisations. On the other hand, some of the organisations using the conflicting aspect of the power excluded staff from knowledge of the implementation and even used the same power to activate job losses within the organisation, in order to acquire ceremonial legitimacy. This reflected the self-interest motive of actors in both ceremonial and strategic deterioration value. It must be mentioned that trust 'C', experienced the same job losses as seen in trust 'A', however the difference was that the trust 'C' experience was a product of an enabling power that was activated to achieve the required efficiency, which reflected the organisation's instrumental and ceremonial values.

Both powers may occur at the same time, where one dominates the other (Tsamenyi et al, 2006). The power and interests of organisational actors are often in alliance to determine whether an accounting innovation is adopted for a ceremonial, instrumental or strategic deterioration purpose (Burns and Scarpens, 2000; Collier, 2001). The Struggle for Compliance occurred in a fragmented environment, where rules were complex, and there was the co-existence of enabling and conflicting power. This phenomenon was wholly dependent on the individual organisational context at the time of implementation of the change. From this study, it is clear that accounting change in organisations reflects the organisation's behaviour and value systems, ranging from instrumental, ceremonial to strategic deterioration.

### 8.3.3    Practical Implication of Struggle for Compliance

The outcome of struggling for compliance describes the state of the organisation at the post implementation phase, after the adoption of the FT rules. This involved the evaluation of the organisations against the intent of the rhetorical rule. The FT change was aimed at boosting efficiency in the NHS, with power being devolved away from central government's control, to foster local accountability and to enhance financial freedom within the NHS. The valid outcome measurement must take into consideration, the extent to which efficiency was achieved, accountability established and organisational legitimacy acquired (Covaleski and Dirsmith, 1983; DiMaggio and Powell, 1983; Meyer and Rowan, 1977).

The struggle for compliance resulted in changes within the organisations; however, it was not as envisaged (Dean, 1986; Ter Bogt, 2008; Van Nispen and Posseth, 2009; Wynne, 2005).

The process was successful to the point that rules were established. The establishment of the rules was a major developmental phase that preceded the acquisition of legitimacy with or without the achievement of efficiency and accountability. A critical phase of the process was the implementation of the rules. This was the point where the display of organisational power and value emerged.

The presence of a variety of motives amongst the organisations determined the sharp and distinguishing differences between the early and the late adopter. The instrumental aspects presented a satisfactory progress within a bounded rational sense of efficiency motive (Burns and Scapens, 2000) in the early adopter, while the ceremonial aspects sufficed for legitimacy in its bounded sense. The ceremonial and sometimes strategic deterioration value exhibited in the late adopter manipulated legitimacy while compromising efficiency (Nor-Aziah and Scapens, 2007)

On a general note, the government's aim to establish accountability in the Foundation Trust sector was not particularly a success. The principle of accountability was discussed extensively in chapter two, this case study suggested that FT organisations were not painstakingly aware of their required accountability role, even though this role was enshrined in the FT framework, first at public consultation stage, it was only observed in a ceremonial compliance mode, to obtain the support of the public in the consultation process. The second point was the election of members into the board of governors, this phase was routinely implemented, without any major accountability notion for the elected Governors. Theoretically, there were processes in place for governors to demand accountability, however, it was yet unclear if the governors do understand their role (Day and Klein, 2005). This was not completely surprising, as a number of studies (Dixon et al, 2010; Exworthy et al., 2011) have found that FTs continues to look up to the TDA and the DH in order to exercise the freedom and other powers conferred on them by the FT status. This explains in part, why their accountability tangent remained pointed to their TDA and DH to the neglect of the local communities.

The integration of the macro- and micro-levels of analysis of this study presented a dialectic framework for understanding innovation uptake as a process of purposive transformation in a large organisation, where the environment maintains the control to establish and impose structures on the organisation at a macro-level. Organisations within the Healthcare sector endured different levels of struggle in order to comply with the imposed structures. It is hoped that as these macro-influences beds down within the sector, individual organisations

will actively strive to differentiate themselves within the last wave of trusts currently seeking legitimacy for survival. There are other issues outside the scope of the FT reform that contributed to the process of organisational struggle, which could not be investigated within the focus of this research, especially at the post-implementation phase of the trust's operation.

## 8.4    Summary

This chapter drew from the data analysis and resulting themes in chapters six and seven and immersed it within the NIS theory and findings from other substantive areas. The objective was to seat the resulting struggle for compliance in the NHS within a multi-area theory. The study proposed that organisational actors are often resolute to adopt accounting changes, in the face of difficulties and challenges, in order to achieve efficiency, legitimacy and promote their self-interests.

The establishment of complex and rhetorical rules, coupled with the implementation of the rules, gave rise to organisations' need for compliance, with which they struggled. The implementation of accounting and governance changes was illustrated by attempts and games, which reflected the co-existence of instrumental, ceremonial (Covaleski and Dirsmith, 1991) and strategic deterioration aspects, as a tool to satisfy the interests of the organisational actors in manipulating legitimacy to the compromise of organisational efficiency (Nor-Aziah and Scarpens, 2007).

This study proposed that the implementation of complex accounting and governance rules in a fragmented internal and external environment results in struggling for compliance for organisations for variety of reasons, ranging from efficiency motive noticeable in early adopter to ceremonial legitimacy motive in the late adopter. The next chapter highlights the contributions made by this study to existing literature and also suggests likely issues for future research.

# Chapter 9

# Research Contribution and Conclusion

## 9.1 Introduction

This chapter commenced with a brief summary of the research, by explaining the rapport between the new institutional sociology theory, thematic analysis and the FT reform and how the blend resulted in the theory of struggling for Compliance. In section 9.3, it highlights the key research contributions made by this study to the theory in accounting research and practice in the healthcare field. Section 9.4 enumerated the limitations of this study while Section 9.5 dealt with the implication of this study for future research and at the same time suggesting a number of relevant areas for further research, finally section 9.6 gave a brief synopsis of the entire research journey.

## 9.2 Summary of the research

The overarching aim of this study was to explore the adoption of FT status in the NHS, to explain the behaviour of actors undergoing an accounting and governance change within an institutional structure. The research design was that of an interpretive paradigm, while employing the thematic synthesis approach for the collection and analysis of data. The study illustrated how the UK government engaged accounting as a tool to change the course of organisational structure in the NHS.

The research suggested that the Foundation Trust phenomenon is predominantly an interaction between the institutional and organisational actors, where the NHS institutional environment exercised control over organisations within the sector, by using an accounting base reform known as the Foundation Trust Status to steer the accountability focus of the organisations to their desired direction. In order to fully appreciate the influence of the FT reform, the research investigated the participants' perceptions of their roles in the run up to the adoption and implementation of the FT status.

In this analysis, the perceptions of the NHS staff, the views held by them and the nature of the relationships between the groups of participants were crucial to the outcome of the FT adoption. The analysis of actor's perception and observation of the organisations illustrated the various struggles experienced by them as they journeyed through the adoption of a new status. While the adoption of FT implied a drive towards efficiency in some organisations,

other organisations aligned with the FT adoption strictly for survival and in some cases as a result of a mimetic influence.

A coherent thematic analysis was developed from the theoretical insights drawn from both the study data and the NIS theory, which proposed that the adoption of FT in the NHS is characterised by institutional pressure, management's interest/power and organisational legitimacy. The concept of legitimacy referred to the considerations and social processes through which the NHS participants made sense of the routines associated with the adoption of FT status. This study suggests that the context or circumstance of organisations at the time of adopting an innovation influences the way and extent to which they apply the change, which may be either positive or negative.

Firstly, this study explained the complex nature of the FT reform and its implementation process. The detailed analysis of these complexities provided the reasons for the organisations' struggle to comply with the FT rule. The presence of varied perception, information gap and understanding within the organisations regarding the subject of FT, coupled with the existence of games and other ceremonial practices provided evidences that illustrated the outcome of FT complexity.

Secondly, this study described the phenomenon as a theory of Struggle for Compliance. This trend was equally observed in other areas of accounting, such as budgeting (Mkasiwa, 2011; Van Nispen and Posseth, 2009; Wynne, 2005), NPM literature (Vakurri, 2010) and in NIS literature (Lowe, 2000; Lukka, 2007). In addition to the previous studies, this study explained why organisations adopt innovation, stating the reasons behind various organisational struggles in the process of adopting changes and the eventual consequence of such changes.

## 9.3 Contributions of the research

This research achieved a major milestone in its coverage of the FT phenomenon as witnessed in the NHS, thereby making contributions, which broadly address the way accounting is perceived within the accounting research field, thereby arguing for the extension of accounting beyond the economic model. Likewise, it extended the social theory used in this study into the FT setting as an introduction, for further research dialogue to follow, in order to create more evidence as a way of advancing the theory in the field and putting forward practical knowledge based on empirical findings of the studies, especially to practitioners, such as in the accounting fields, policy makers in the NHS and organisational personnel responsible for the adoption of the FT status.

### 9.3.1 Contribution to the New Institutional Theory of Sociology (NIS)

The first contribution identified was the extension of the NIS theory to a new setting. The application of the theory to the Foundation Trust contexts further advanced the consistency of the NIS concept, especially as the theory was tested on multiple features of the FT implementation process. For instance, majority of empirical NIS research focused more on the macro-level organisational processes, involving the process of institutionalization, rather than on how both individual organisations, as well as organisational actors, contribute in shaping institutions (Modell, 2005; Burns and Baldvinsdottir, 2005). This study suggests that the relationship between accounting innovations and the institutionalisation of the innovation is often shaped by the participants' perceptions of their roles and the nature of the association between groups of participants. It also argued that the other factors that contributed to this interrelationship were organisational arrangement, the knowledge possessed by the different groups of participants, and the general external environment. This presented a vivid empirical illustration of rules and the process of institutionalisation of those rule as a model of the theoretical concept within accounting research and specifically in the healthcare sector.

Secondly, in order to unveil the phenomenon of Struggling for Compliance (Lukka, 2007; Modell, 2001), the thematic synthesis approach was adopted in an attempt to theorize the phenomenon, the process of explaining why and how organisations struggle and the strategies they adopt in seeking compliance within an institutional framework, this was mainly illustrated by the diffusion of uncertainty in the case study organisations. Uncertainty may be induced by the promotion of a complex accounting rule, this is because accounting innovation is capable of creating a non-existent role to a constitutive role in management decision-making process (Scarpens, 2007) as observed in this case study. This study gave an incremental evidence proposing that the attendance of instrumental (Lukka, 2007), ceremonial (Covaleski and Dirsmith, 1983; Meyer and Rowan 1977) and strategic deterioration (Covaleski and Dirsmith, 1988; Scarpens, 2007) aspects generally results in efficiency, legitimacy, and self-interest motives respectively, with much emphasis on the influence of management self-interest, as an area requiring much attention in organisational research.

Thirdly, this study presented an incremental evidence for the integration of efficiency and legitimacy through the proactive mimicking of organisational actors (Modell 2001). Earlier NIS formulations assumed efficiency and legitimacy as dichotomous elements (DiMaggio and Powell, 1983; Meyer and Rowan 1977), this was a subject of criticism to NIS over the

years (Oliver, 1991; Powell 1991). The outcome of this study gave further credence within the body of knowledge to the fact that market and legitimacy pressures proved not dichotomous but intertwined. The struggle for compliance in the NHS reflected the co-existence of efficiency and legitimacy motives, it also depicts the varying nature of their outworking, in terms of the mix between legitimacy and efficiency, where one may dominate the other depending on the organisational circumstance at the time of introducing the innovation (Tolbert and Zucker, 1983). The FT case study identified the efficiency motive as the dominant factor in the early adopter of the FT change, while the need for survival was proposed as the dominant force operating in the late adopter. (Covaleski and Dirsmith, 1983; Lowe, 2000).

Lastly, this study shed more light on the interplay between rules and the prevailing practice within an organisation. It presented a range of evidence to suggest the effect of loose coupling within the organisations. It confirmed that organisations adopt loose coupling as a strategy to shield their practice, as a technique to mediate conflicting rules in a fragmented environment, with dominating intra organisation power relations (Nor-Aziah and Scarpens, 2007).

The study implied that the diffusion of accounting innovation can evolve from interaction between participants in organisations, where they are able to direct the implementation of the innovation in the way they prefer within their organisation, rather than adopting it based on the dictates of an external institutional forces (Seal, 1999; Lawton et al., 2000; Carpenter and Feroz, 2001). For example, the implementation of FT status had no influence on the core business of the late adopting organisation, because it was decoupled from the change process entirely. This shows that reforms initiated in the absence of practitioner's consent are likely to fail as organisational involvement in reform discussions and decisions may influence the implementation.

### 9.3.2   Contribution to Interpretive Paradigm in an unexplored social setting

In the light of these research findings, the arguments of this study may be of interest for several reasons, like stimulating more discussion and further research in the NHS, thereby responding to urgent calls to contribute concrete examples of accountability reform in the public sector, which may usefully complement the more theoretical and abstract discussion that have appeared in literature (Young and Oakes, 2009).

Firstly, on a general level, this research focussed on accounting in a new light, which is quite uncommon, rather than presenting accounting as a techniques, it portrayed accounting as a formal basis for economic action and business decision within the NHS. This assertion represents an under-researched aspect of accounting, especially where it is linked with the influence of NPM and NPFM, which has continually been on the spread since the 1990s.

Secondly, this study contributes to the on-going debate in the literature around the complex interrelationship between accounting and organisational changes within specific contexts (see Lapsley and Pallot, 2000; Broadbent and Laughlin, 2005; Gomes, 2008). It argues that the development and implementation of an accounting reform, to shape organisational practices in Foundation Hospitals cannot be reduced to an economic argument alone. In addition to the economic argument, it must be recognised that accounting practices emerged and developed through the convergence of multifaceted interests combined with the exertion of power in an attempt to achieve a working organisational balance. It is recognised in the case of Foundation Hospitals that the full scale of the role of FT status would not be fully understood if a mere economic and rationalist perspective was adopted. In this sense, this study promotes and contributes to the on-going debate for a better understanding of accounting in its social and institutional context (Gomes, 2008:494). This may also stimulate more study in this area.

Thirdly, It is acknowledged that accounting literature has shown the crucial role played by accounting in legitimating organisations (Covaleski et al., 1993; Hoque and Hopper, 1994, Goddard and Assad, 2006), this study contributed to the understanding of the central role played by accounting in the process involving exchanges between the organisations, regulators and organisational participants. As was argued in theoretical discussions presented in Chapters 2 and 3, recent organisational change research in the healthcare sector, has not given enough attention to the essence of the FT regime in the NHS. Although the Foundation Status reform constitutes the core underlying issue discussed in prior organisational change research, the meaning of the concept was not sufficiently elaborated. Instead, a variety of meanings were attributed to the performance and structural form at the organisational level without a deep consideration for the interpersonal events involved in FT change. This thesis provided an in-depth investigation of the FT process and the organisational motive, thereby, presenting the actors' role in a more organised view of individual meanings attached to FT innovation within the organisations.

Lastly, this study highlighted the importance of the time of innovation uptake as a factor, which could explain actor's intentions, by emphasizing that the timing of a reform uptake amongst NHS organisations was a crucial piece of event, which indicates organisation's motive, as the early adoption of the FT reform was found to be linked with the organisation's strategic motive. This study proposed that early adoption of innovation is often a strategic decision, which benefits the organisation (Oliver 1991, Tolbert and Zucker, 1983), where the organisation perceives the innovation as instrumental and supportive of its strategic direction. conversely, late adoption was found to be an active strategy of seeking legitimacy for the purpose of survival without clear evidence of an active pursuit of efficiency (Tolbert and Zucker, 1983).

### 9.3.3    Practical contributions

The result of this research has several policy implications for future implementation of reform in the UK public sector, especially within the NHS. In the roll out of FT reform, lesser consideration was given to the uniqueness of the individual organisations who were the recipients of the status. This study provides an invaluable insight to the scope of interests addressed by the NIS. Most importantly, the theme addressed in this study, has added to our knowledge of the importance of appreciating the uniqueness of individual organisations within the NHS. Essentially, what works in each organisation differs from one organisation to the other. The study proposes that the challenges faced by individual organisations differs, so did their size, locality and financial strength. The idea of fitting all organisations into the same implementation framework would only result in struggle for some organisations.

Secondly, by  studying changes in the accounting and structural fibre of the healthcare organisations in the emerging Foundation Trust environment, this study provided a better understanding of the attribute of the NHS as a fragmented setting, therefore, incompatible with a generic reform. The idea of a 'one size fit all' reform has been shown to induce varied organisational response. This provides some extension not only for researchers studying a reform in a single organisation, as has been the case in traditional research, but also for research focusing on the effect of an  innovation on multiple organisations.

Thirdly, the FT reform was aimed at improving the accounting process, and fostering local accountability in the NHS; it addressed institutional structures as well as changed the ways of thinking within the structure. The study showed that some members of the board of Governors in some of the organisations did not really understand what their role involved.

Also some of the staff do not fully understand the purport of the change. The establishment of rules alone was found not adequate for the successful implementation of an innovation. The active participation of the staff was a key component of the adoption; some of the organisational actors at the management level used the FT rules as a cover to promote their self-interest. This affected the implementation of the FT reform negatively.

The regulators of healthcare in England must engage with organisations and, indeed, the various stakeholders to ensure that they take ownership of the change as a precursor to the establishment of rules, as well as the implementation. As a result, the design, adoption, implementation and evaluation of the FT reform should have involved a comprehensive assessment of the state of the internal organisational environments (cultural, social, political, economic) of each trust, the external environment (external influences), and the technical aspects of the reforms (complex/simple, ambiguous, conflicting). The involvement of staff members may also clarify point of challenges ahead of time.

The knowledge gap between the few members within the FT implementation team and the rest of the organisation was a major influence on the level of success achieved in the implementation process. While the implementation team, which comprised of the board Executive and a few other appointees, understood the purport of the FT process, all the other staff showed a lack of understanding, leaving much gaps unfilled. Thus, highlighting the need for deliberate measures to improve the working relationship between staff and implementation teams; such measures may include basic staff training on their new role in the FT regime. Additionally, the trust could be assessed, as part of their FT authorisation, regarding the level of success achieved in the diffusion of the change through communication within their organisation.

Strong group interests appeared to have a significant influence on the implementation of the FT agenda, thus affecting organisational interaction, whereby concerns of other members of the organisation were ignored. Engagement with organisations and the various stakeholders at the reform design phase to focus their minds on accountability, governance and accounting systems might contribute towards harmonising group interests and their perceptions of accountability and governance. This may contribute towards improving accountability and the organisational structure as well as the position of accounting within organisations (Goddard and Powell, 1994).

## 9.4.0  Limitations of the Study

This research was limited in a number of ways, either as a result of the various potential research avenues identified in the empirical setting, which might either have been pursued with greater emphasis but were not, or those pursued and not included in this work, in order to prioritise the research effort. For instance, the pre-FT regime features of the NHS, which would have placed emphasis and allowed a comparative analysis of two periods (Pre and Post FT) was not elaborated in this study, this might have relegated to the background, a robust view of the pre-FT organisational dynamics and its regime shift, however this would not have answered the central question of the study.

The effect of the limitations, however, was kept to a minimum through various mitigation strategies assumed in the research design. There were three main limitations identified in this research.

### 9.4.1   Research Design for the Study

The first acknowledged limitation relates to the set of data gathered for this research, this refers to the fact that only one NHS trust (Non-FT) was used in this research. The first set of data collected between 2009 and 2010, represented the majority of the interviews, these data composed of interviews from two organisations, where one of them was the Non-FT organisation and the other is a fully licensed FT organisation. Featuring of only one Non-FT may have limited the extraction of a deeper understanding of the experience in the non-FT context, on reflection, it was considered that a comparative analysis of traits shown by more than one non-FT going through the FT assessment framework might have presented a broader view of the organisation's reaction to the reform.

Secondly, in the two FT organisations, there was a concern for inherent distortion in the quality of interview gathered, especially in the early adopter organisation, because the trust achieved its FT authorisation a few years back in the first wave of FT licensure (five years before the research). The researcher's concern was that some of the respondents interviewed, although they had worked in the trust when it was a Non-FT organisation, they may not be able to accurately recollect or describe the events of the process leading to the time of organisation's FT implementation. In order to reduce the effect of this limitation, not only did the research specifically nominated interviewees who had worked at the organisation both before and after the FT authorisation, in addition, documentary evidences were gathered,

including Minutes of meetings, Management reports and financial accounts relating to the time of authorisation, which were analysed to complement the interviews.

### 9.4.2 Limitation in Theoretical Development

It is acknowledged that this thesis only covered those aspects of interactions that existed between organisational structures, practices, behaviours, and the wider social environment in which organisations operated. As noted in section 3.1.2, there were limited insights concerning the process of organisational change within NIS, as the theory contributes little or nothing to intra-organisational change. This was affirmed by Tolbert and Zucker (1996), that NIS lacks a detailed knowledge of how the process of institutionalisation occurs within an organisation. This theoretical limitation is not unrelated to the above research design limitations. It must also be mentioned that the theory has proved to be strong in other important areas of the research, thereby thrusting a trade off with the strength of NIS to elaborate on structures and practices, which was key to this study. The proposed framework depicts how changes build up from within an organisational setting, addressing all other interrelated factors, which are instrumental to the behaviour of actors within the organisation.

### 9.4.3 In-depth Investigation of other Provider Trusts

At the time of this research, the FT reform was in the process of being extended to other type of providers, such as the Mental Health Trusts, Community Trusts and the Ambulance Trusts. This study would have undertaken a more in-depth investigation of FT adoption in the other streams outside the Acute Trust setting, but this was not feasible within the context of this study as a result of time constraints. A subsequent in-depth investigation of FT adoption in these organisations could provide a broader spectrum and a deeper understanding of the reform to the extent of a generalisable phenomenon. Nevertheless, the research findings highlighted in this thesis provide an adequate response to the object of the research questions.

## 9.5 Implications for future research

This study has several implications for future accounting change research within organisations, and accountability in the public sector, especially within the NHS. The case studies explained the phenomenon of accounting innovation uptake and the strategies adopted by organisations going through a change process; this was also mirrored within accounting theories. The extent to which the theory can be generalized to public sector entities and to other organisations is limited, but in spite of this, the study identified a set of conditions

under which theoretical explanations about the phenomenon are applicable. This is likely to exist in most organisations and  should be seen as an opportunity to refine and further develop the application of the theory to similar innovations in organisations.

In term of implication for future research, firstly, the findings of this research may provide theoretical insights for the study of accounting reforms and accountability in Healthcare sector generally. It must also be noted that the difference in political and administrative regimes influences the interaction between accounting and the reforms introduced by governments (Bourmistrov and Mellemvik, 2002). In a way, comparative contextual studies incorporating different political and administrative regimes will be of benefit to the development of this theoretical base.

Secondly, in view of the discussions stimulated by this research around accounting reform and organisational accountability using the NIS, further development of this area would be of immense benefit to practitioners and regulators in this sector, studies seeking to understand the position of Monitor as FT regulators and the UK political class on the process of generating reform programmes and the purport of reforms introduced in the NHS, especially since several reforms are continually launched in the sector. Further research into the extent of programme evaluation undertaken by the government departments will also uncover the intent and commitment of the government to the effectiveness of the reforms, especially on how lessons learnt from specific change implementation have been used to promote future reforms.

Thirdly, struggling for compliance in the NHS exposed the mismatch between the organisations' practice and organisational rhetoric; this explains the phenomenon of loose coupling, where rules are loosely coupled to the actual practices. Loose coupling is both a mediating tool for events between legitimacy and efficiency (Nor-Aziah and Scarpen, 2007), and also a mediating tool for conflicting rules and fragmented environments (internal and external). Further research in this area may establish more evidence of this phenomenon in the organisations.

Fourthly, new research to investigate the conditions necessary to create a thriving environment for strategic innovation, as well as strategic deterioration, may be useful to provide incremental evidence of NIS claims that strategic innovation is one of the responses in NIS literature (Abernathy and Chua, 1996). This study argued for the other extreme

portrayed as strategic deterioration, which depicts adoption or response to innovation rooted in the fulfilment of the interests of the organisational actors or management's preference rather than for the organisational interests. Understanding of the role of accounting changes and the enabling powers that facilitates behaviour in this perspective may therefore, be useful for organisational development.

Fifthly, as an extension of the above, this study highlighted the subsistence and inter-relationships between the ceremonial, instrumental and strategic deterioration roles in organisations. The manifestation of these roles in organisations could be displayed in varying dimensions, especially where organisational legitimacy is displayed with varied motives. The co-existence of the efficiency and survival motives for seeking legitimacy unveils actors' role in the adoption of a change. Further research may provide incremental evidence of the co-existence of these roles in organisations.

Finally, as mentioned above, conducting similar research in a slightly different organisational setting, but still within the provider arm of the NHS, to understand the behavioural traits presented in other types of trusts, such as the Mental Health, Ambulance and Community trusts could provide a basis for comparison and could also give grounds for a generalizable finding.

## 9.6    Research Conclusion

The aim of this research is not to demonstrate methods and means to eliminate conflicts and challenges inherent in the implementation of accounting reforms in public sector organisations. It was also not within our intention to comprehensively document the kind of issues that NHS organisations are likely to face as they adopt the FT reform. Rather, this research sets the first in a set of stepping stones that will enhance our understanding of the issues unique to the adoption of accounting changes in the public sector from the actor's perspective, especially in the UK healthcare sector.

On the overall, this study emphasised the events involved in the adoption of Foundation Trust status in the NHS with a view to answering the important question of how an accounting change has affected the organisations. This has a greater implication for future reforms in the NHS and other public sector entities and beyond. It also teased out the extent to which groups of participants, which are largely a mix of professional, were capable of influencing an

innovation for their individual self-interest rather than for the benefit of the organisation and the resultant outcome of their actions or inactions as the case may be.

This FT study has drawn various contributions from the empirical stance to identify a comprehensive background, which can be used as a basis for understanding the cross-organisational challenges being faced by actors adopting a new innovation. This framework helps to explain the co-existence of accounting reform and organisational legitimacy, with issues surrounding the level of uncertainty diffused within the organisations as they adopt the change, the use of power in different shades, occurrence of loose coupling and the eventual institutionalisation of the accounting reform.

As more researches are drawn into this discussion, with the quest to determine the salient institutions that governs implementation of innovations, and understanding public sector reform programmes in the light of the organisational participants, we may likely be able to predict those areas of a reform, where struggle is likely to occur by looking for the institutional mismatches. Also, based on the theoretical insights achieved on how parties behave under various institutional struggles, the means of resolving these struggles, and so on, the prospective regulators may be able to design interventions, thereby mitigating the element of struggles from the onset of reform design. These interventions will not only resolve the institutional conflicts, it would also ensure that the organisations are kept on course with the innovation, which ultimately results in the achievement of the institutional aim for setting out the innovation.

Using the evidence from the FT case studies, we have shown that each instance of the organisational struggles observed were as a result of the uniqueness of individual organisations existing within a fragmented sector and the varying level of knowledge available to each actors. We have also demonstrated how NIS's extant findings such as the theory of legitimacy, created a better understanding of the main drivers behind organisational struggle. This in turn helped us develop a richer taxonomy and a more accurate formulation of the issues arising due to organisational uptake of an innovation.

It must be noted that NIS does not provide all the answers in terms of resolving organisational struggle, however it provided a good ground to understanding the problem. Organisation's struggle for compliance has not been studied enough for us to predict the specific kinds of issues that will occur on any given reform and to design specific strategies

to mitigate them. Our primary purpose in undertaking this research was thus to stimulate discussion in the NHS environment, which has been proliferated with a series of reform in the last two decades, by setting out an intensive framework that allows us to conceptualize and analyse the role of accounting reform in NHS organisations.

In this study we have also progressed a step further by identifying the limitations of this framework, as well as the intellectual gaps in current knowledge, and have laid out the groundwork for future research, as a basis to call on researchers to undertake studies looking into the evaluation of accounting reform in the NHS, so as to build a better understanding of the nature of organisational struggle and foster a more successful trail of innovation in the sector.

The problem of organisational struggle have not been adequately addressed thus far in the FT sector, hence, the issue of transparency in its local accountability is still very elusive. Accountability issues remain a major conflict, which highly impacts of the effectiveness of the twenty first century public sector organisation, especially within the UK healthcare sector. The resolution requires a dedicated and calculated attention of the regulators.

# Appendices

<u>**Appendix (i) – List of Interview Questions**</u>

**The impact of FT status in financial management in the NHS - Interview questions**

**FT Introduction and Staff Acceptance**

- Why do you think your organisation applied to become a Foundation Trust Hospital?
- Do you consider the FT route as the most appropriate turn for your Trust?
- What is the Trust's motivation for applying for the FT status?
- What do you hope to achieve from it?
- Would it have been possible to delay your application?
- Would it be an option to not apply at all, if it was not the best option?
- What is your opinion about the FT model, what do you think the government is trying to do by introducing the FT status?
    - The government has left no option to the organisations therefore pressurised them to apply for FT status.
    - The government has used the FT status as a control tool to seek the legitimacy of the public
    - The trust applied for FT status in order to show their efficiency motive to improve its services and created an efficient organisation.
    - The trust applied for FT status in order to benefit from the autonomy and independence offered under the FT model
    - Other reasons
- What is the level of acceptance of the FT model by staff?
- Were there resistance, concerns, scepticism etc?
- Are you involved at all in the FT plan?
- How is information flow affected?
- What does facilitate this?
- What is the communication of this change like between the top and bottom level, both vertically and horizontally?
- Do you think as an FT organisation, there is more competition for contracts in the present environment?

**Changes to Business priorities**

- How much stretched (in resource terms) is the Trust in trying to comply with the FT qualification standard?
- Has FT status delivered any real change (As a result of FT Status) to your organisation's financial management and indeed quality of service? How?
- Do you think there was a change in the Trust's core business priorities and strategic direction after acquiring FT status?
- In what ways has the FT status changed the organisation's operating environment? The norms, rules etc?
- Has the FT status affected the way you work at all? How?
    - Was there a re-organisation of the teams and services as a result of FT status?
    - Were there new requirements for job specification in reorganisation process
    - Were there introduction of new rules, requirement for specific roles under the FT structure e.g. emphasis on specific qualifications, work experience etc?
- Has there been any change to the Trust's day to day activity that could be directly linked to the FT status?
- Has the FT status has any impact on your financial practise, accounting practise?

**Payment by Result**

- How has PBR affected your financial performance in the Trust
- How has it impact on your service delivery, are the service well remunerated compared to the time of block contracts?
- Would it have been any different if you were an FT or Non-FT i.e. is the impact different between FT and Non-FT?
- Is it any likely that the better result in FTs is as a result of PBR gains?

**Financial freedom and Regulatory Measures**

- How has the financial freedom and reduced incursion from the regulatory authority helped your financial performance?
- What is your perception of the role of MONITOR, CQC?
- Do you think Monitor control is any effective or unique for the success of FTs?
- Is it that of power, support or task orientation?
- Have you had to take advantage of the prudential benefits accorded you as an FT -e.g borrowing from the commercial sources?
- What role do you think the political system has played in the FT model?
- Do you think the FT model (the introduction) is politically motivated?
- Can we assume that the new reporting line of FTs to Monitor has created a better organisations in FT thereby enhanced performance?

**Alternative to FT model**

- Do you think there is any other choice or alternative plan that is better than the FT model for the enhancement of your Trust's performance?

**Board Composition and Governance**

- What is your perception of the new board…Do you think there is a marked change in the board composition especially with the inclusion of the public?
- What about the board's skill mix, knowledge? How much of challenge is received on financial decisions (e.g. budget approval)?
- What is the outlook of the board meeting now, compared to the old regime, are there more challenges and contribution from the Non executive members?
- Can we assume the change in board membership has created dynamism in governance and enhanced performance in FTs?

**Service Change and Staffing Structure**

- How would you rate the service of your Trust to the community compared to before?
- What is the trend of your financial position as an FT? Are you better financially? Is there better income etc compared to your pre FT days?
- Is the good/bad/average financial position in your organisation as a result of the FT status or PBR or any other systemic change?
- How much of the success of this organisation is dependent on the new internal structure?
- Have you noticed any impact of the change in your organisation? Does it matter at all if there was change in status, introduction of new freedom etc or not?
- Under the new regime, has there been any reduction in your cost of providing service or an improved Reference Cost Indices?
- Have you experienced any staff loss to other FT organisations?

## Appendix (ii) – List of Codes and Data Constructs

## Template Schedule

| Concept | Code | Variables | Indicator | Operationalization |
|---|---|---|---|---|
| | | | | |
| **WHAT INSTITUTIONAL FORCES EXERTED PRESSURE** | | | | |
| | A1 | **What Options were available to NHS Trust as alternative to FT** | Choiceless/Coercion | Coercive Pressure |
| | A2 | **The basis of organisational choice, is there a reason for FT** | It is a 'must do'/conform attitutde | Legitimacy |
| | A3 | **Any understanding behind why and what FT is about?** | Limited/None/Skewed knowledge | Taken for granted |
| | | | Political Motive identified | Government's use of power |
| **HOW DID THE PRESSUREAFFECT/STEERED THE ORGANISATION** | | | | |
| | B1 | **The general observable impact of FT on organisational goal/Public** | FT reform aligns with early FT's goal | Legitimacy |
| | | | Late adopters complied for legitimacy | Gaming/Legitimacy |
| | B2 | **Comparism of Pre FT and Post FT - Board Composition** | Changes are made to membership | Compliance/Gaming |
| | B3 | **Comparism of Pre FT and Post FT - Organisational stability** | Slight destablisation among FT | Uncertainty |
| | | | Major destablisation in Non FT | Widespread Uncertainty |
| | B4 | **Comparism of Pre FT and Post FT - are there FT related changes** | Major structural changes | Conforming |
| | B5 | **Level of Staff involvement in FT implementation** | Limited | Power |
| | B6 | **Information dissemination about FT at vertical level** | Active in FTs and none in Non-FT | Power |
| | B7 | **Information dissemination about FT at horizontal/board level** | Good quality | Power/Gaming |
| | B8 | **Organisational influence and staff morale** | Slightly impacted in FT, worse in NFT | Uncertainty |
| | B9 | **The attractiveness/complexity/ of FT concept - Quality of FT** | Highly complicated and rigorous | Complex rules |

| | | | | |
|---|---|---|---|---|
| | B10 | **FT tool attractiveness - Adoption of Risk Rating, planning etc** | Organisations Conforming | Institutionalisation |
| | B11 | **Benefits of FT: Has FT created a better organisation?** | Cut in bureaucracy for Early adopters | Org. Value - Legitimacy |
| | | | Indifference in late adopters & Non FT | Org. Value - Mimetic action |
| **HOW DID THE ORGANISATION REACT TO THE PRESSURE** | | | | |
| | C1 | **Staff Interactions with the Governors and Non-executive Board members** | Vague to none | Power gap |
| | C2 | **Interactions at Board level and FT activated Board changes** | Robust | Conformity/Gaming |
| | C3 | **impact of FT change on services and the financial state of Trust** | No FT impact on service quality | Loosely coupled |
| | C4 | **Merge** | | |
| | C5 | **The quality of FT rigour and its drive in Trusts** | Intense rigour across board | Complex/finance focussed |
| | C6 | **Merge** | | |
| | C7 | **Board adoption of managerial manouvering** | Robust in NFT | Gaming/Conniving values |

## Appendix (iii) – List of Documents Analysed

**List of Documents Analysed**

| DOCUMENT | Period Covered | Number of Documents | Source |
|---|---|---|---|
| Month Finance Report to Board | 2005/06<br><br>2006/07<br><br>2007/08<br><br>2008/09 (2 Months) | 12 Reports<br><br>12 Reports<br><br>12 Reports<br><br>2 Reports | Trust A |
| Audit Committee Monthly meeting minutes | 2008 | 7 Meeting Minutes | Trust A |
| Board Development meeting papers | 2008 | 6 Presentations | Trust A |
| Long Term Financial Model | 2006/07<br><br>2007/08<br><br>2008/09 | 2 Version<br><br>3 versions<br><br>1 version | Trust A |
| Trust Annual Budget Statement | 2008/09 | 1 version | Trust A |
| Integrated Business Plan | 2008/09 | 1 version | Trust A |
| 10 Year Capital Programme Forecast | 2007/08<br><br>2008/09 | 2 Versions | Trust A |
| Long Term Strategic Model | 2008/09 | 1 Version | Trust A |
| Trust's Service Performance Model | 2008/09 | 1 Version | Trust A |
| Long Term Financial Model | 2004/05 | 1 Version | Trust B |

| Integrated Business plan | 2004/05 | 1 Version | Trust B |
| Long Term Financial Model | 2008/09 | 1 Version | Trust C |

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