Competing logics in hospital mergers -
The case of the Karolinska University Hospital

Fredagen den 18 februari 2011 kl 9.00

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ABSTRACT

Introduction. Today there is no doubt that mergers have permeated all sectors of society, including health care. Starting in the US, extensive waves of hospital mergers occurred at a record pace in the 1980’s typically justified by promising dramatic financial and operational improvements. In the 1990’s, the merger trend reached Europe and by the turn of the century “merger mania” had taken a strong hold within the UK. By the end of the 1990s, there had been a number of hospital mergers in Sweden. In 2004, Karolinska University Hospital was formed through the flagship merger between the Karolinska Hospital and the Huddinge University Hospital. In 2010, yet another prestigious merger of two university hospitals was announced with the formation of Skåne University Hospital. However, there has been almost no research on hospital mergers in Sweden. The aim of this thesis is to increase our understanding of the pitfalls and possibilities in merger processes by exploring the Karolinska University Hospital merger.

The merger in brief. On 1 January 2004, the Karolinska Hospital and the Huddinge University Hospital merged to form the Karolinska University Hospital. Although the merger was controversial and far from obvious, the merger decision passed by a single vote in the Stockholm County Council on 9 December 2003. To achieve a balanced budget by the next political election in 2006, the new director of the merged hospital was told to reduce expenditures by €70 million over the next three years. The top management delegated identical assignments to all clinical managers: to reduce costs and to consolidate 125 clinical departments into 74 new departments each with a common management. Over the three-year period (2004 to 2006), the predicted cost savings for the merger were not achieved. Eventually the original implementation plan was withdrawn and the hospital director left the organization.

Methodology and research questions. An embedded case study design was used to explore pre- and post-merger processes, in which data was collected by interviews, non-participant observation and extensive documents (allowing triangulation). Three studies addressing different organisational levels examined the following issues: how and why a merger decision that was considered “impossible” became possible (Study I); how and why top management’s radical ambitions resulted in an unintended convergent process and dysfunctional outcomes (Study II); how and why considerably different outcomes in terms of clinical integration occurred at the clinical department level (Study III).

Results. Spanning from the years 1995 to 2007, the three studies show that the merger processes evolved through a non-linear, undirected and complex interplay between external and internal actors. The process was mainly driven by the competing institutional logics of managerialism in a political and administrative arena, and professionalism in a scientific and professional arena. Means convergence and a politico-economic crisis led to the merger decision. The top management was overwhelmed by the “vertical clash” between managerialism and professionalism. On the clinical department level, managerial factors that hindered integration were a sole attention on the formal mandate from the top management, leadership based on one formal actor, and the use of a planned top-down approach to change. Managerial factors that facilitated integration were a dual attention to two majors stakeholders (top management and clinical staff), shared leadership between multiple actors, including an informal leader, and the use of an emergent, bottom-up management approach to change within the planned assignment.

Discussion. The key finding is that the competing institutional logics between managerialism and professionalism seems to be the main driver of merger processes. This vertical conflict is probably the main explanation why intended outcomes were not achieved. While top management followed the merger literature’s classic recommendation to focus on the horizontal tension and to take a planned linear top-down approach to change, the unanticipated challenge stemming from the competing institutional logics made it difficult for the management to handle the post-merger process. A true understanding of the intra- and inter dynamics inherent in a context with multiple layers of competing institutional logics, such as public sector health care, seems essential to produce functional organizational outcomes.