

**REENGINEERING HEALTH CARE—THE  
COMPLEXITIES OF ORGANIZATIONAL  
TRANSFORMATION**

**By Terry McNulty and Ewan Ferlie**

QUIM BRUGUÉ

UNIVERSITAT AUTONOMA DE BARCELONA

*Reengineering Health Care—The Complexities of Organizational Transformation.*  
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During the last decades we have seen the emergence of an impressive amount of both literature and discourse about organizational change. Labels such as New Public Management, post-bureaucratic paradigm, or reinventing government, have become commonplace among academics. These labels have brought some simplistic prescriptions to the organizational and managerial domain: language is changing and so is public administration, we are moving from the old and grey bureaucratic paradigm to the new and bright postbureaucratic setting, and transformation is radical rather than gradual (Peters and Waterman 1982; Osborne and Gaebler 1992; Barzelay 1992; Hughes 1994). In this context of easy, understandable, and radical managerial changes, McNulty and Ferlie's book is opening a window toward a more rigorous analysis.

The book introduces some fresh air because it allows us to move the debate about organizational transformation from a prescriptive and normative thinking to a more empirical and analytical setting. In more specific terms, McNulty and Ferlie have chosen to analyze why and how a radical tool of change—business process reengineering—is applied to transform a highly complex and politicized organization: Leicester Royal Infirmary. In their own terms, the question addressed is whether or not large and complex organizations can implement a strategy of 'big bang' change over a short period. At the same time, their work analyzes change management from a critical point of view. The authors conclude that the process of transformation was highly contested and the outcome of change uneven. In fact, empirical analysis suggests that partial change was apparent in the hospital, but not a radical transformation. There were important limits to the implementation of a big bang strategy.

The book focuses on salient empirical questions, but it is also located at the heart of some of the principal, ongoing debates in the organizational literature. On one hand, the book deals with the issue of strategic management and contrasts the contributions of the strategic choice and neo-institutional theories. From the first perspective, strategic choice is presented as a process involving members of a

**Direct all correspondence to:** Quim Brugué, Department of Political Science, Universitat Autònoma de Barcelona, 08193 Bellaterra (Barcelona), Spain. E-mail: quim.brugue@uab.es

relevant coalition and relevant external parties, giving rise to action in the name of the organization conditioned by human purpose, preference, and interpretation (Whittington 1992; Child 1997; Lewin and Volberda 1999). From the neo-institutional point of view, organizational change is socially determined and resistance to change is explained according to the normative embeddedness of organizations in the institutional context (Greenwood and Hinings 1996; Barley and Tolbert 1997). On the other hand, the concept of strategic change directs attention to managerial approaches in accomplishing major organizational change. In this setting, the debate between gradual change and big-step change is one of the salient issues in the current literature on strategic management (Child and Smith 1987; Pettigrew 1985, 1987, 1998; Pettigrew and Whipp 1991).

In this context of academic debate, the research conducted by McNulty and Ferlie is outstanding from at least three points of view. First, their study is based on a sound theoretical framework. The authors are able to relate the reengineering toolkit with a broader process perspective on organizations. In doing so, the book offers both an explanation of business process reengineering as a radical redesign of business processes to achieve dramatic improvement in organizational performance, and a critique of its methods and practices. In contrast to much of the literature (Levy 1986; Dunphy and Stace 1988; Blumenthal and Haspeslagh 1994; Romanelli and Tushman 1994; Hammer and Champy 1993), change-related actions cannot be understood as radical, unbounded, and taking place in a contextual vacuum as reengineers seem to believe. Rather, using the authors' terms, "process of choice and change are bound up in the mutual pervasiveness of organizations and the environment, and in the interplay between structure and action" (36). Once the academic debate has been presented, the authors begin their empirical work by describing and analyzing the case study at three levels:

- public sector restructuring in broad terms (macro level);
- hospitals as highly politicized organizations (meso level); and,
- the specific institutions and processes addressed in the empirical study (micro level).

Second, the book shows how the process of reengineering works in practice through a sound analysis of the change process at Leicester Royal Infirmary between 1992 and 1998. The main conclusion of the case study very much confirms Mintzberg's (1989) work on strategic management, particularly in relation to how the intended strategy no longer matched the realized strategy. The first was radical and transformatory in ambition, methods, and scope, while the second has proved to be more evolutionary than revolutionary and more convergent than transformational in its impact on organizational processes and performance. For example, the study shows how the reengineering program was redesigned from its initial and radical ambitions to its final and more tempered practices. Moreover, the reshaping of initial ambitions followed the line of the functional organizational principles that underpinned the existing patterns of specialties and clinical directorates. In other words, in spite of the rhetoric, reengineering methodology and ambition were adapted to accommodate existing organizational arrangements and relations. These observations, as the authors point out, are at the heart of the study's conclusion of more continuity than change in organizational processes and performance.

Following the preceding conclusions, McNulty and Ferlie go on to examine the relations between reengineering and organizational arrangements within the hospital. Theoretically, the process-based organization that resulted from the reengineering initiatives represented a radically new organization that was less much hierarchical. Nevertheless, the case study shows that there is no evidence of such organizational transformation. The authors explain this by pointing out that choices and actions were mediated by the very same cognitive and relational structures that such choices and actions were intended to modify. In sum, the case illustrates empirically once more the limits of a strategy of organizational transformation and blank-sheet process redesign. In fact, the new, process-based organization that was supposed to emerge continued to be highly influenced and shaped by old and functional organizational principles.

Third, once we are convinced about the lines of continuity and the limits of the radical change attempts, McNulty and Ferlie ask why reengineering developed into a more evolutionary as opposed to revolutionary strategy of change in practice. They support a theoretical line that gives greater attention to notions of ambiguity, unintended consequences, contradiction, and plural interests. Two different types of arguments help them understand the limits of the reengineering experience. On one hand, reengineering is seen as inextricably linked to organizational politics and, therefore, its success depends on the capacity to develop a coalition of actors that support the transformational policy. As the authors point out, the political debate around such transformational policy was part of a dynamic that ultimately regulated and redirected the path and progress of reengineering. On the other hand, the authors point out that it is necessary to relate the chances of a successful transformation to meso- and macro-levels of organizations. The complex environment in which a hospital or, more generally, the public sector is located is crucial to understand the final impact of the transformational policy. At this point, we are reminded of the importance of not overemphasizing issues of micro change management and implementation.

Last, but not least, the findings are discussed from a higher analytical level, allowing the authors to generalize their conclusions. By doing so, McNulty and Ferlie find that their empirical findings (of either continuity or convergent change) are supported by other international studies (Buchanan 1997; Willcocks, Currie, and Jackson 1997; Packwood, Pollitt, and Roberts 1998; Joss and Kogan 1995; Morgan and Murgatroyd 1997; Walston, Kimberly, and Burns 1999). Two types of argument support their conclusions. On one hand, some scholars argue that public-sector organizations remain radically distinct from firms and, therefore, private-sector management models and tools (like business process reengineering) are not appropriate for public agencies such as hospitals (Wilson 1987; Kaboolian 2000). It is also argued that public-sector modernization is not only determined by the goal of achieving savings, but also that public-sector reform policies may have been adopted for legitimacy reasons. This provides another explanation why private-sector management models and tools which only seek to make organizations lean and mean are inappropriate for the public domain (Kaboolian 2000; Pollitt and Bouckaert 2000).

Taking into account the limits identified in organizational change, the study engages with recent theoretical developments that point to the need of explaining change processes by a mix of organizational dynamics and institutional dynamics. The central idea is that radical change requires an interacting set of precipitating

and enabling dynamics: the first are exogenous (market and institutional forces), while the second are endogenous (internal interests, values, power dependencies, and capacity for action). In other words, McNulty and Ferlie concluded that radical change requires a balance between contextual pressures (precipitating dynamics) and internal lines of supportive power dependencies and capacity for action (institutional dynamics). Radical change needs a specific environment, but also a willingness on the part of those in power to support proposed change. Institutional and market pressures may shift power dependencies in favor of an alternative organizational arrangement, but radical change will only result if the dominant coalition recognizes the weakness of the existing state and is aware of potential alternatives.

To summarize, the empirical research and theoretical discussions undertaken by McNulty and Ferlie are highly relevant from both an organizational and public policy point of view. From the perspective of the organization theory, the book shows a highly interesting case study and, at the same time, reconsiders the big bang approaches to organizational transformation. From a public policy perspective, the book underlines the importance of politics in organizational transformation. Contextual pressures and managerial techniques may be drivers for change, but this change probably will not take place if the different actors involved do not believe in both the need to change the old and the opportunity to build the new.

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