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Abstract

Outsourcing of non-core activities has been a clear trend within corporate life for over thirty years. If done well it can lead to positive benefits for organisational performance. The NHS in England has gone through a process of change from traditional public administration to new public management and now to new public governance. These approaches should have encouraged NHS managers to look at the opportunities that out sourcing could offer, instead there has been a cultural backlash with a resistance to consider out sourcing in anything but the most periphery of areas such as estates and maintenance functions. The organisational culture of the NHS is such that outsourcing in any form is resisted rather than embraced as an opportunity to improve productivity.

After exploring the different public sector management approaches the paper considers a focus group of senior managers in Cornwall where thought is given to outsourcing some non-core services along with a range of other options. This provides an example of the attitude of NHS senior managers to out sourcing.

Key Phrases

Outsourcing, New Public Management, New Public Governance, Social Network Theory, Transaction Cost Economics, NHS

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Introduction

The National Health Service (NHS) is the publicly funded national healthcare system for England and one of the four National Health Services for each constituent country of the United Kingdom. It is the largest single-player healthcare system in the world. Primarily funded through government funding and overseen by the Department of Health and Social Care, NHS England provides healthcare to all legal English residents, with most services free at the point of use. Some services, such as emergency treatment and treatment of infectious diseases, are free for everyone, including visitors to the country (NHS, 2019).

The NHS in England, like much of the public sector, is facing significant financial problems (Grimshaw et al, 2015). Delivery of healthcare in England is predominantly through NHS Foundation Trusts and NHS Trusts (NHS provider organisations) as semi-autonomous organisations. At a time of economic squeeze on public services there is a need for NHS provider organisations to consider what actions they need to undertake in order to deliver long term financial viability (NHSE, 2019), both as individual organisation and as a network of NHS provider organisations on a Sustainability and Transformation Plan (STP) footprint. STPs have been created by the NHS in England to support different provider organisations to work together on a defined geographical footprint (NHS, 2014)

One of the actions that NHS provider organisations have not done extensively is to consider the option of outsourcing to deliver efficiencies and improved outcomes on non-core services. In this instance core services would be those that are delivering care and treatment and are actively engaged with patients, while non-core would be those traditionally recognised as “back office” including finance, human resources and corporate services (Carter, 2016). Where it has been at the peripheries of organisations in Facilities Management (FM) services and in Information Management and Technology (IM&T) this approach has been adopted.

The aim of this paper is explore why NHS provider organisations have not pursued outsourcing options as a method of increasing efficiency, at a time when public sector management supported this approach. Much of the existing literature appears to focus on the process once a decision to outsource has been made, what this paper begins to address is why the decision to outsource is made or not.

The lack of published peer reviewed literature, in this area is particularly apparent. A search on Web of Science for “outsourc*” and “NHS” leads to only nine peer reviewed articles being identified with only one (McCartney, 2012) being relevant to this subject. McCartney (2012) suggests that because one supplier of outsourced services to NHS provider organisations has failed then the whole approach of outsourcing is a bad idea and should not be pursued a view that would support the concept that outsourcing is not a favoured approach in the NHS in England.

To allow the NHS in England to transform there is a need to change the management theory that managers in the NHS use to deliver efficient and effective services in line with government policy.

This paper is structured to provide an understanding of the current approaches to public sector management and to link their underpinning management theories to these public sector approaches. The paper describes the research design undertaken given the current senior management culture in the NHS in England, before providing the outputs from a focus group of senior NHS managers in Cornwall. The paper concludes with the approach of senior

managers in the NHS to outsourcing, identifying where further research needs to be undertaken.

Theoretical Framework

The NHS in England is driven by the political will of the United Kingdom government. This attempts to drive an efficient and effective healthcare system in England.

The model of NHS provider organisations originates from the implementation of the model of “New Public Management” (NPM), an approach that became dominant in the public sector and has its roots as in the 1980’s (Alonso et al, 2015). Alonso et al argue that the approach of NPM was driven by financial pressures and a need by the public sector to make efficiency gains. The measurement used for these efficiency gains was whether the workforce had decreased or not. The article does not favour the NPM approach and not surprisingly concludes that NPM has not led to a decrease in the workforce, perceived as a proxy for efficiency, thus NPM has not been successful. It concedes that employment of which it speaks is outside public sector organisations, so there may have been a financial benefit.

This gives a very one dimensional view to the impact of NPM without reflecting whether the approach actually helped to make the public sector more sustainable. Given the renewed squeeze on public sector finance, there is now a revisionary look at the approaches of NPM within the NHS provider sector to attempt to deliver a sustainable financial system.

Authors such as Howlett et al (2017), while seeing the positives that NPM offered, have postulated that we are now moving beyond the era of NPM and into an approach of New Public Governance (NPG) within the public sector which will help to deliver the desired financial sustainability with the support of the public. NPG can be characterised by the development of collaborative co-produced approaches to the delivery of public services.

The following table shows the different characteristics that could be expected to be seen and developed within organisations as they move from Traditional Public Administration (TPA) to NPM and then on to the tenets of NPG. This paper has considered the dominant substantive policy tool, identified in Table 1, as a key indicator that further warrants research as it is implemented by NHS provider organisations.

Table 1: Comparison of TPA, NPM and NPG

	Traditional Administration	Public	New Management	Public	New Governance	Public
To Whom	Subjects		Customers		Citizens	
Main Goal	Legitimacy and compliance		More effective, efficient and better quality public service		More legitimate, inclusive, and effective government	flexible and effective
Characteristic	Bureaucratic		Post-bureaucratic, competitive styles		Post-competitive, collaborative styles	
Dominant substantive policy tool	Direct provision by government		Contract out to private entities		Co-production with non-governmental actors and citizens	
Key procedural management and policy tools	Rules and input based management tools		Benchmarking and other output-based tools		Public participation and trust as key management tools	
Accountability	Hierarchies		Market-driven		Multifaceted	
Role of government	Rowing		Steering		Facilitating	

Source: (Howlett et al, 2017) p489

Although founded within the context of NPM, NHS provider organisations have predominantly not pursued a strategy based on NPM. In non-core areas such as Finance or Human Resources (HR) contracting out has not been used to drive efficiencies, but rather NHS provider organisations have maintained non-core services as part of the main business. This appears to be holding onto the structures of TPA reflecting a business structure from the 1980's when the process of establishing NHS Trusts began. This is brought into sharp focus by the lack of published research in the implementation of NPM and contracting out/outsourcing by NHS provider organisations. The NHS now is moving to a model of NPG now instead of NPM.

In an era of moving from NPM to NPG a new approach is required which means that efficiencies are gained through co-production (Sangiorgi, 2015) rather than through neoliberal market forces. Although given the newness of NPG, Sangiorgi (2015) only had a limited sample of organisations to study, considering the process of the move from NPM to NPG rather than the drivers that lay behind the changes. With the shift to NPG comes a change in organisational perspectives. The move considers placing the user at the centre of the system (Virtanen et al, 2018). This shift in dynamic changes how non-core services are operated and perceived. Future research would help to direct the development of NHS provider organisations to implement and make the efficiency gains by adding to the current very limited body of knowledge.

NPG has its roots in Social Network Theory (SNT), a sociological theory that studies how individuals, groups and organisations relate and interact with each other. It allows for consideration of how individuals relate together at a micro level that can be translated into how groups and organisations relate to each other at a macro level. The theory emerged from a number of other theories in the early 1970's (Granovetter, 1973)

SNT stems from an attempt to understand the system from an individual level and then relate this up to the organisational level. At the individual level people work for a variety of different reasons, a psychological contract is made between employees and employer; this

leads to the “terms of an exchange between individuals and an organisation” (Rousseau, 1995). An employee’s reason for working can be complex driven by social exchange, law, economics and industrial relations (Coyle-Shapiro et al, 2004). Understanding how the social networks operate, their strengths and interconnectivity, at an individual and organisational level, can then be used to influence how people and organisations behave (Jones et al, 1997), leading to improved efficiency and effectiveness.

The history of SNT can be seen as stretching back to the turn of the nineteenth century and the work of the “gestalt” psychological movement (Kolher, 1925). This was built on by the work of Moreno (Moreno, 1953). The development of the sociogram, a clear link to the development of SNT, is a way of considering an individual’s relationship structure. Figure one shows a basic sociogram.

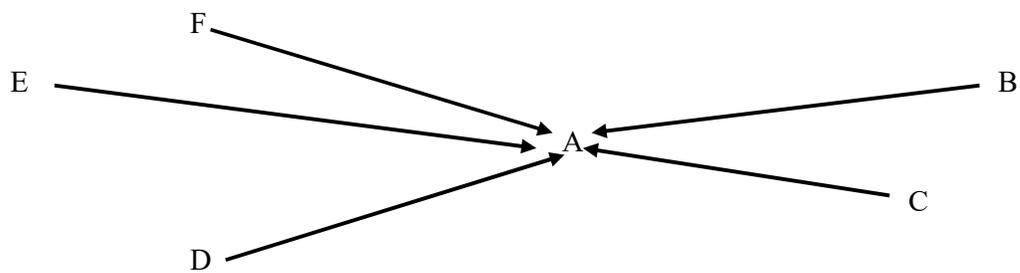


Figure 1: A sociogram: the sociometric star (Scott, 2004)

The diagram was used to show the relationships that an individual might have and remains a construct used in many types of individual and group psychotherapy currently in use.

The basis of SNT is to consider the relationships between different individuals and also at the organisational level. Starting at an individual level, the relationship between three different people, let us call them A, B and C could be considered. If person A knows person B and person B knows person C, then there is likely to be some form of relationship between A and C. This is shown in diagrammatic form below.

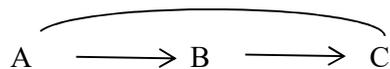


Figure 2: Relationship between A, B and C (adapted from Granovetter, 1973)

In its simplest form it is the investigation of the relationship between these three individuals, or nodes, that is at the heart of SNT (Scott, 2000). Using SNT it becomes possible to assess the strength of the relationships between the different individuals. This will have an impact on issues such as communication flow, trust and co-operation. These bonds are defined as either strong or weak. A strong bond may be one where the two individuals meet at a bar for a drink on a daily basis; whereas a weak bond may be someone you buy a cup of coffee from in the morning before going to work. Being able to calculate the strength of these bonds for a defined network is what makes SNT a useful tool to apply to organisational relationships. The leap from this is to ascertain how to apply the networks from an individual level to a more macro or organisational level. This was the important leap that Granovetter (1973) made in his study of communities in Boston’s west end.

If a company is viewed in terms of the individuals within it as the nodes or the specific departments as nodes, it is possible to assess the internal coherence and strength of the company. This allows the internal structure of an organisation or company to be analysed. However the company would not operate in isolation and there would be relationships with others suppliers, customers or competitors. Using nodes it is possible to assess the strength of these organisational relationships. SNT has delivered a significant gain in its ability to use this analysis of the ties between the individuals or nodes to a more macro level either in groups or organisations. The nodes become the companies and it is then possible to analyse the strength of the bonds between the different organisations. It offers a bridge from individual interactions to organisational interactions. SNT argues that large organisations or groups will operate in a similar way to individual interactions and the ties that bind them. The organisations are built from the interactions of the individuals within the organisation.

An example of organisational relationships used by Scott (2004) was to look at a number of companies and how they share directors. The technique is used to identify the strength of the relationships between the different companies. If Directors are A to E in companies 1 to 4, the incidence matrix below identifies the director in each company.

Directors		A	B	C	D	E
Companies	1	1	1	1	1	0
	2	1	1	1	0	1
	3	0	1	1	1	0
	4	0	0	1	0	1

Figure 3: Company and Director Matrix

If this is considered just in terms of companies, figure 4 illustrates the adjacency matrix company by company below.

	1	2	3	4
1		3	3	1
2	3		2	2
3	3	2		1
4	1	2	1	

Figure 4: Adjacency matrix Company by Company

The diagram below shows this drawn as a sociogram showing the strength of relationships

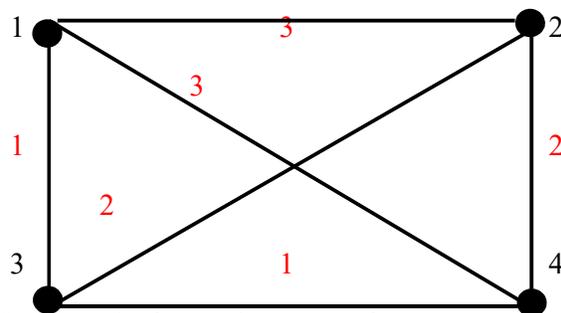


Figure 5: Sociogram of relationship strengths

These highlight the strongest relationships will be between companies 1 and 2, and 1 and 3, where there are three directors who overlap.

SNT, provided as a tool to investigate individuals, groups and organisations is the ability to apply large scale statistical analysis to community and organisational phenomena such as

organisational working structure, political structure or community networks. Much of this analysis is built on considering the strength of the ties between individuals and organisations and the impact of these weak and strong ties on how groups and organisations work together or not.

SNT provides a route for considering supply chains, or how outsourcing may work. It therefore provides an appropriate theory that can be used to investigate how and why organisations might outsource some of their non-core services.

A consequence that occurs from SNT is that the analysis is based around the strength of the relationships and not about the effect of the individual or the organisation. This can be seen by some as negative as it leaves the efficacy of the individual or organisation as unimportant and the relationship as the important factor. This means that individuals have no direct ability to influence the outcomes, except by their impact on the relationship (Scott, 2004).

Whereas NPM has its roots in Transactional Cost Economics,

“In business circles, a story is often told of two hikers who wake up one night to find a tiger lurking near their tent. One of the hikers immediately reaches for his running shoes. On being reminded by his partner that he could not possibly outrun the tiger, he responds that all he has to do is to outrun his partner. At a superficial level, the somewhat macabre humour of the situation also serves as a powerful reminder of the similarities between biological and economic competition. Survival of the fittest, and, hence, the need to be the fittest, is seen as the moral of the tale.”

(Ghoshal and Moran, 1995)

This story is often described to be the essence of Transactional Cost Economics (TCE), in that “Business firms organise their activities so as to maximise their value, economising or reducing costs, obtaining profits from sales at prices in excess of costs”. What motivates the business is maximising profit and reducing costs. Internal production or external procurement, economizing on the decision requires selection of the alternative that will produce the greatest marginal value (Yang et al, 2012). For these reasons TCE is often the basis of many out sourcing decisions including the development of supply chains with external partners.

To give its more correct definition, TCE is a theoretical framework for an effective institutional structure (markets versus hierarchies) and associated governance mechanisms for supply chain transactions (Williamson, 2008). The primary purpose of TCE is to explain why transactions in certain institutional arrangements operate with different degrees of efficiency (Yang et al, 2012). Yet, “the central theme of TCE is how transactions are governed to achieve efficiency”.

TCE argues that firms select the organisational structure with the lowest transaction costs, safeguards against partner opportunism, ensures that partners fulfil contractual obligations and provides a framework for dealing with uncertainty (Kogut, 1988, Williamson 1999). As organisations develop with more complex supply chains or greater use of outsourcing then, businesses need good legal contracts and buyer-supplier cooperation to manage ‘bounded

rationality' in outsourcing (Monczka et al 2008, Liu et al 2009). As part of this process, TCE is used to determine what activities should be internalised versus purchased (Williamson, 2008). Despite this focus on the make or buy decisions, outsourcing decisions must go beyond just make or buy to deliver the lowest sustainable transaction costs.

The contract is the foundation for the overall business transaction and provides formal control of the interactions between buyer and supplier regarding their responsibilities and behaviours (Jiang et al 2008, Yao et al 2010). This formalises the position between the buyer and supplier, with the contract being the process of settling any dispute, Monczka et al (2008) suggested that a buyer supplier partnership could serve as "dispute prevention". Despite this strong contractual relationship their remains the need for good relational adaptation for example, buyer-supplier collaboration, joint problem solving or information sharing (van Hoek, 2000, Peterson et al, 2002, Narasimhan et al, 2010).

Outsourcing, as opposed to supply chain management, implies a generic departure from the market and an implicit move toward hierarchical governance. Outsourcing is essentially an inter-organisational business transaction (Yang et al, 2012). It is this transaction that TCE attempts to understand and put in place through contractual methods and the governance to ensure the delivery of a low cost solution which does not give an advantage to either party. The contract is set by the purchaser who can see the approach as setting a hierarchical governance process which favours them.

One approach to developing out sourcing is competitive tendering, which in the public sector has long been an attractive procurement strategy with its promise of cost efficiency and reduced subsidies (Hensher and Wallis, 2005). Competitive tendering as a procurement method leads to an idiosyncratic transactional relationship between authorities and operators, different from other forms of procurement like direct award or negotiated performance based contracts. (Canitez and Celebi, 2018) Competitive tendering has been utilised to integrate the efficiency gains from private sector participation as well as sustaining government control for public service obligations (Baldwin and Cave, 1999).

Ultimately competitive tendering can be regarded as a contracting mechanism that discourage trust between operators and authorities (Hensher and Stanley, 2008).

Procurement needs to take account of the levels of trust and social capital among economic actors; shared norms and customs; efficient partnerships and cooperation culture; rules of competition and well defined property rights and common political vision(Canitez and Celebi, 2018).

The use of competitive tendering often comes from concerns generated through monopolistic competition theory which is itself developed from leverage theory. Leverage theory, feared that a monopolist could easily exploit their dominant position in one market to expand their empire into the next (Hovenkamp, 2010). Often the fear of a monopoly position leads to increased distrust and support for TCE and a competitive tendering approach to prevent a supplier gaining an advantage or creating a monopoly situation. This market mode features high powered incentives, little administrative control, and a legal-rules contract law regime

(Williamson 1979, 1985). In contrast, a fully integrated vertical structure, or hierarchy, applies low-powered incentives and considerable administrative control.

It is important to understand the level of institutional maturity as this will help to guide the development of the outsourcing relationship and how successful that relationship is over the longer term. Negotiated contracts are more efficient if institutional maturity is higher, providing a trust based environment for transaction (Merket and Hensher, 2013). It needs to be noted that there are limitations in the use of competitive tendering in weak intuitional settings (Canitez and Celebi, 2018). Williamson's schematization, the environment includes informal institutions like, customs, norms and traditions, which encircle the institutional environment of formal rules (laws, regulations and property rights) (Van de Velde, 2004; Williamson 2000). Overlooking the intuitional environment during the implementation of competitive tendering schemes is one of the primary causes of long running ineffectiveness. A classic example would be the erosion of trust brought about by use of competitive tendering between parties that causes a gradual and irrevocable fall in benefits in the long run (Boyne, 1998; Longva and Osland, 2007). Initial gains explained by winner's curse and high inefficiency of previous monopoly in house operator.

Ultimately managers must realise the limitations of using legal contract as a governance mechanism and this leads to a need for more studies on trust and social norms in TCE (Nootboom et al 1997, Grover and Malhotra 2003).

TCE tends to make firms larger vertically because the cost of internal production is relatively lower and the cost of market procurement relatively higher. It has been found that asset specificity and performance ambiguity increase dependency between transactions, parties and opportunism, which in term discourages outsourcing (Poppo and Zenger, 1998). In external procurement, parties must often make substantial commitments to the technologies and product designs of their trading partners. These commitments can also lead to co-designed solutions which may aid in the delivery of value or lead one party to try to secure greater advantage from the other.

There is ample evidence indicating that the trend of outsourcing will continue and managers must understand what makes their outsourcing transactions effective (Hatonen and Eriksson 2009, Kroes and Ghosh 2010, Wee et al 2010). There is a need to understand the issues of trust and how providers can be developed to become partners that aid the solution as opposed to a supplier to be tightly controlled.

A key issue for the NHS is identifying a model for outsourcing non-core activities of NHS provider organisations which will be culturally acceptable to the organisations and still deliver financial sustainability. This paper will now explore the issues of outsourcing for NHS provider organisations and then how public sector organisational culture affects the approaches to outsourcing, before finally refining the research question.

Outsourcing

The dominant substantive tool used by NPM is contracting out, or outsourcing, while for NPG it is co-production. It is co-production of the emerging public sector management theory that will be explored further.

A key tenet of NPM is to outsource non-core delivery areas for an organisation. Despite the doubters (McCartney, 2012) the benefits of outsourcing non-core services have been clearly established over a long period of time (Quinn and Hilmer, 1994). This work reviewed a number of key case studies highlighting the benefits that can be leveraged as a result of outsourcing. The case studies are within the private commercial environment, a consideration would need to be applied as to whether this work can apply to the public sector. If NPM is the model being delivered, then it can be argued that the work is transferable to NHS provider organisations as a tenet of NPM is to apply market forces and thus clear benefits to delivering financial sustainability should be achievable.

An example from the public sector is shown in case study reviewing HR outsourcing (Mclevor et al, 2011). It builds on a case study of a shared HR function between a number of public sector organisations and it can be used to extrapolate to the wider UK public sector. The work identifies that there are financial benefits from the move to share and outsource services and that engagement with staff and the cultural elements are key in ensuring success. The study was qualitative using only one aspect of non-core services for an NHS Foundation Trust, but given other services would be similarly structured it is reasonable to assert that it would apply to other functions such as finance, procurement and pay roll. Mclevor et al (2011) highlights the limited amount of research in considering the issues of outsourcing non-core shared back office functions. Suggesting that for many public sector organisations there may not have been a true move to NPM but rather an attempt to ensure that TPA remained in place. The research does support the move to NPM but counsels the importance of relationships with the outsourced staff; their engagement and co-production, are vital to ensuring success. Thus the elements of NPG are seen to be emerging in the literature from NPM.

There are additional benefits to moving to an out sourced model beyond purely achieving financial stability (Bals and Turkulainen, 2017). This was a case study of a global pharma company operating out of multiple sites. By reviewing the purchasing approach in a global pharma company operating on the principles of NPM and outsourcing, it was able to gain some economic efficiency. However what became clear was the process of developing an outsourced approach enabled the company to modularise and centralise its activities and gain greater efficiencies through a clear supply chain working more efficiently with local collaborators. These additional benefits are often overlooked when considering outsourcing options with a focus on price only. Indeed it is argued that if cost is the sole reason for the exercise then quality may well suffer (Parashkevova, 2011). It is suggested by this author that the efficiencies gained here could also be achieved by a group of NHS provider organisations coming together to outsource their non-core functions.

It has been recognised for some time that outsourcing can offer organisations a strategic advantage (Quinn and Hilmer,1994), the dilemma is often being able to identify what represents core and non-core activity (Perker, Harding & Travis, 2000). Given the clear competitive advantage provided by outsourcing why have NHS organisations avoided this for themselves? The answer to this may lie in the culture of the organisations and a retained view of TPA rather than embracing the concept of NPM. This perceived lack of engagement with

NPM is shown by the dearth of research in the area of NHS provider organisations outsourcing non-core services beyond those at the periphery such as FM and IM&T.

Research Design

The public sector has often seen outsourcing as a move towards neoliberal market forces with the ultimate goal of privatisation (Klien, 2007). This has led to a concern that “the boundary between state and corporate power has become more porous” (Harvey, 2005). As a consequence trade unions have moved to reactively oppose outsourcing whether they provide any organisational advantage or not. Given the ideological stance but inability to actually prevent the approach, there has been a move by trade unions to a pragmatic and strategic approach of;

1. Protecting member’s rights
 2. Acting as intermediaries between public and private entities
 3. Organising the staff in the outsourced organisations
- (Givan and Bach, 2007)

These authors have typically published in the left wing press with much of their empirical evidence gained from interviews with employees on the front line and full time union officials. While providing a valid view of employees’ thoughts on the NPM paradigm it may be seen as lacking an objective or balanced view; it could be seen as rather a biased one sided approach to the issues. In similar context Smith (2012) attempts to discredit public/private partnerships and argues against outsourcing using National Savings and Investment (NS&I) as a case study. The basis of the study is from interviews with 5 trade union officials, 10 frontline staff members and newspaper articles. Obviously such a small sample could be said to demonstrate the bias against NPM methodologies and a desire to re-instate TPA whatever benefits may be achieved. Yang and Kessekert (2009) found that outsourcing was viewed negatively by civil service staff in the USA based on the Federal Human Capital Survey in 2006. This had a response of 390,657 Federal employees and was adjusted for age, sex and ethnicity. This makes the work a compelling assessment of attitude and one that could reasonably be translated to the public sector and the NHS in England. It is clear too argue that it can be that front line staff will not accept out sourcing as it is currently perceived.

A key blocker in using NPM approaches in the NHS in England is the perception of a “them and us” culture (Tucker and Aderiye, 2016). The available literature on outsourcing is clear; in order for outsourcing to be successful the goals of the staff working for the outsourced functions must align with those of the host organisation (Tucker and Aderiye, 2016). This work based on 32 interviews and focus groups successfully argues that outsourcing in the Facilities Management (FM) environment is more successful where the organisation supports the socialisation of external outsourced staff into the main organisation. It is reasonable to assume that this socialisation of staff would work in other areas that had been outsourced, offering a more positive approach to outsourcing of non-core functions for an NHS provider organisation.

The lack of support for NPM can partly be understood by the suggestion that implementing NPM causes increased stress in NHS managers (Kelliher and Parry, 2015). This study which used large scale surveys, focus groups and interviews across six different NHS healthcare organisations, identified that rather than NPM freeing up managers to do their job it actually caused them increased stress. If this is demonstrated it is not unreasonable to assert that managers in NHS provider organisations would avoid embracing NPM approaches such as outsourcing, except at the margins in areas such as Facilities Management (FM) or

Information Technology (IT). Instead they may try to hold on to an approach of TPA with which they are more comfortable and suffer less stress. Hendry (1995) argues, based on professional experience, that the real issue for managers in any approach to outsourcing is the loss of control, suggesting managers would be reluctant to engage in NPM and probably even more reluctant to engage in NPG with a move away from control to co-design is implied.

Given the perception of staff and unions to the approaches of NPM such as outsourcing and the additional stress that NPM causes managers in NHS provider organisations it is not surprising that an alliance is formed between frontline staff, their trade unions and managers. This prevents the full embrace of NPM and implementing possible effective financially sustainable approaches such as out sourcing.

With a move now beyond NPM, towards NPG and an approach to co-production, it will be argued in this study that “the horses have been too spooked” by NPM to want to allow NPG to gain traction; and a push back to TPA could be seen. What is required, and is clearly lacking, is research that can evaluate if NPG, co-production and collaborative working, can lead to a financially sustainable approach for non-core services in NHS provider organisations.

To evaluate the current approach a focus group was established with a number of senior managers in the NHS in Cornwall to consider the options around the delivery of non-core non-clinical services. These managers came from the different NHS organisations in Cornwall covering all the provider Trusts. They represented the spectrum of services including finance, performance, human resources and other support services. As there is nothing intrinsically different about the delivery of NHS services in Cornwall to the rest of the NHS in England and so any results should be applicable to the English NHS.

Focus groups provide a methodology of gaining information from a group of individuals, essentially in the form of a group interview (Bryman and Bell, 2015). A key advantage of a group interview is that it allows the interviewer to get the views of a larger number of people at speed and has the opportunity to have a greater range of responses. There can be difficulties with this approach, with groups being dominated by one or two individuals and an element of “group think” (Benabou, 2013) occurring. In this scenario when discussing an option appraisal the approach used standardised questioning approach is often perceived as providing greater rigour (Lee and Ling, 2008)

Findings and Discussion

An example of the thinking of senior managers in the NHS can be seen from the results of a focus group on the consideration of outsourcing non-core NHS services in Cornwall. Twenty senior managers from the main NHS providers in Cornwall met to score five different options as part of the process. The identification of the options and the critical success factors were identified via a small number of key informant interviews with board members of the provider organisations. These were then confirmed with the focus group before scoring began.

The options were

1. Do Nothing
2. One shared service held by one NHS provider
3. Best of breed (the NHS provider who could best deliver on behalf of others)

4. An arm's length NHS company
5. Outsourcing to a third party

These senior managers were from a range of the non-core service, such as finance, human resources and estates. They were aware of the financial imperatives in a system that was overspending and required to make significant financial savings and that delivering the best solution could save in excess of £12,000,000 off of an expenditure of £80,000,000. They would also be responsible for developing any recommendations to the organisations boards about the future of non-core services.

This led to the senior managers scoring the different options as laid out in the table below. Not every critical success factor had equal weighting and the maximum score for each factor is in the column "Total score".

evaluation summary Priority	Total score	Score of Option 1: Do nothing	Score of Option 2: One shared service	Score of Option 3: Best of Breed, services	Score of Option 4: Establishing an arm's length company	Score of Option 5: Outsourcing either to private sector / CSU
1. Transform into a place based model of care	60	26	48	42	47	33
2. Development of Integrated Care System	60	25	47	45	48	40
3. Jointly deliver an affordable health and care system	30	6	24	19	24	21
4. Jointly improve performance and quality	40	23	30	28	30	15
Total	190	80	149	134	149	109

Table 2: Scoring of the Options for non-Core NHS services

It is clear from the scoring that there was no desire to pursue an outsourcing option despite the predominate management model of NPM which would have favoured such an approach, or even NPG where the approach could be argued as supporting development through networks of organisations.

The concerns from the workshop group focussed heavily on loss of control. The feedback on each of the different scoring domains is summarised below:

Option 2 and 4 are similar from an operational perspective and in terms of deriving benefits. They are most aligned to these criteria as both options create a single enabling service vehicle that can be focused on delivering high quality.

Option 3 has many similar benefits but is potentially more complex from a governance perspective and will have more friction between the organisations therefore scores lower on its ability to accommodate change and responsiveness to the front-line office.

Option 1 is moderately aligned as it maintains its ability to be responsive to front-line offices and it is relatively easy to implement emerging technology to its structure.

Option 5 scores the lowest as its contracting makes it complex and reduces its flexibility to adopt change to STP boundaries and emerging technology.

The scoring and rationale for each of the options works to dismiss outsourcing as a viable option with no real rationale and no commitment to a model of SNT. The approach could be an example of perceived support for Transactional Cost Economics (TCE). It suggests direct

control and ownership are of more importance than actually delivering the efficiency required by the NHS provider organisations.

In considering delivering integrated care on the basis of the STP footprint, Options 2 and 4 are relatively easier to implement, provide a common platform for building enabling services, and allow transparent sharing of information and collective responsibility between organisations.

Option 3 and Option 5 will be more complicated in terms of picking up collective responsibility; the outsourcing is potentially more expensive and will not allow for collaborators to pool resources.

Option 1, while the easiest option to implement, will not support the system, in its bid to create an integrated care system.

For an affordable health care system Options 2, 4 and 5 facilitate efficient resource management and use of emerging technologies, as the senior managers perceive a single organisation will allow for better pooling of resources.

Option 3, being perceived slightly less centralised, may have a decreased ability to facilitate the use of emerging technologies and standardise its processes.

Option 2, 3, 4 and 5 score high in terms of effective joint operational planning as centralised functions allows for easier exchange of information. This suggests that the group could see the financial benefits that outsourcing could provide but were not prepared to countenance that these would be greater than continuing to deliver an in-house service.

The group when considering which option would deliver the most appropriate level of transformation reached the following positions:

Option 2 and 4 are similar from an operational perspective and in terms of deriving benefits. Both options create a single enabling service vehicle that can be perceived as focused on delivering high quality services.

Option 3 has many similar benefits but is perceived as a more complex from a governance perspective and has the potential for friction between the organisations.

Option 5 has some benefits but senior managers viewed this as a less responsive service and requiring more investment to increase responsiveness.

Lastly, Option 1 creates additional complexities for the STP's priority of delivering for a defined geographical footprint. The group automatically assumed that any outsourcing approach will be less responsive and not a partner but rather an obstacle to be overcome. This suggested a view from the group of a desire to hold onto TPA and a TCE view of the world. Portrayed a poor understanding about how modern approaches to supporting organisations by outsourcing companies have progressed.

The focus group supported maintaining a system with high administrative control but limited ability to drive efficiency through the use of alternative models. This fits an approach of TPA. It would appear in a make or buy assessment these managers prefer always to make and rarely to buy.

Conclusions and Implications

While the policy directive for the NHS in England has been away from TPA towards NPM and then onto NPG it is clear when it comes to non-core services in NHS providers then from this limited evidence there is a real push to TPA by senior managers as a management approach and, from a theory perspective, a greater push towards TCE rather than SNT. The

implication suggests that there will not be the financial savings required to sustain the current configuration of the NHS in England without a change in the culture and the mind set of senior managers in provider organisations. The lack of literature considering the approaches of NHS organisations to developing an effective model around alternative provision approaches for non-core non-clinical services presents a significant research gap.

The paper highlights the need now for further research to consider why NHS provider organisations are resistant to outsourcing and what are the culturally acceptable methods of outsourcing to NHS senior managers. This would include a greater understanding of SNT by NHS senior managers enabling them to embrace NPG and deliver the current round of health reforms. Left unchecked it could be suggested that senior managers responsible for non-core NHS services in NHS providers in England would continue to potentially pursue a model based on TPA and TCE which they perceive as delivering greater control for them. The post holders who participated in the research were all senior NHS managers who had worked in a variety of different NHS organisations across England, while not selected as a representative sample they are not atypical of any group of NHS senior managers in England.

It is therefore suggested that this work needs building upon with further research undertaken in considering the attitude of senior managers in NHS providers to options around outsourcing non-core services to enable the delivery of an effective and efficient NHS in England.

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