The emergence of the entrepreneurial hospital

Kyle L Grazier1,2
1Department of Health Management and Policy, School of Public Health, 2Department of Psychiatry, School of Medicine, University of Michigan, Ann Arbor, MI, USA

Abstract: In creating a vision of the emerging entrepreneurial hospital, this review looks briefly to selected theories used by researchers and practitioners to explore, define, explain, project, and guide hospitals into the future; and then moves directly to how scholars have used those theories to inform their empirical work and explain the findings from that work. The discourse then addresses briefly what might be needed – now – for hospitals to emerge “entrepreneurial” in the future. This article examines some of the academic, professional, and “gray” literature to consider the future of the “hospital”. Much of the literature comes from researchers and thought leaders in organizational behavior, social capital, economics, finance, social welfare, health management, and marketing. The paper explores the external environment for hospitals; the effectors, those events and conditions that bear directly on the form and function of the emerging hospital; and the organization-specific and intra-organizational dynamics that help determine how and in what form the hospital will emerge as an entrepreneurial force. While the vision of the “hospital” of the future varies across observers, the theoretical and empirical research, popular discourse, and lessons from other industries and sectors of the economy, provide guidance on why and how knowing what we can know may bring us into the future more effectively and efficiently.

Keywords: health care, innovation, strategy, mission, vision

Introduction

It is difficult to identify the point in time at which entrepreneurship became a research field and increased in presence in business and education. Drucker noted in the mid 1980s that entrepreneurs exploit change as an opportunity and “create value”.1,2 Wiklund et al contend that the field of entrepreneurship “has emerged as one of the most vital, dynamic, and relevant in management, economics, regional science, and other social sciences”, and yet there are still concerns as to its standing as a research field or a topic within other fields.3 Nevertheless, there is a fair amount of consensus that a struggle remains to accept a common definition and boundaries for the term.

In creating a vision of the emerging entrepreneurial hospital, it is, nonetheless, important to posit a working definition or core characteristics of “entrepreneurs” or entrepreneurial enterprises. Drawing heavily from the work of many authors, and summarized by Abu-Saifan, “Entrepreneurs are conceptualized as individuals who see the world differently and envision the future better than others do. They seize opportunities that otherwise would go unnoticed. They perceive and accept risks differently than others”.4 Extracting from the literature on “venture creation, opportunity exploitation, and profit maximization”, the author derives a set of core characteristics to include: innovator, high achiever, risk bearer, arbitrageur, value creator, opportunist, initiative
taker, and leader. Extrapolating from these individualist dimensions, the entrepreneurial organization would be one with a preponderance of individuals with these characteristics and a mission and vision that is deployed through innovative processes and value creation. While this working definition and core characteristics emphasize the economic view of growth maximization, this article also explores other theoretic perspectives and empirical work that expands a vision of an entrepreneurial hospital.

This paper looks briefly to selected theories used by researchers and practitioners to explore, define, explain, project, and guide hospitals into the future; and then moves directly to how scholars have used those theories to inform their empirical work and explain the findings from that work. The discourse then addresses briefly what might be needed — now — to emerge “entrepreneurial” in the future. Much of the literature in this area has come from researchers and thought leaders in organizational behavioral, social capital, economics, finance, social welfare, health management, and marketing. The framework for discussion can be viewed as a path to the future environment for the emerging hospital; and the effectors, those events and conditions that bear directly on the form and function of the emerging hospital; and the view from the perspective of the organization-specific and intra-organizational dynamics that help determine how and in what form the hospital will emerge as an entrepreneurial entity.

While the vision of the “hospital” of the future varies across observers, the theoretical and empirical research, popular discourse, and lessons from other industries and sectors of the economy provide guidance on why and how knowing what we can see may bring us into the future more effectively and efficiently.

The search strategy was devised to identify hospital entrepreneurial literature spanning the health sciences and social sciences. Databases searched included PubMed; ProQuest Databases (including ABI/Inform Complete); Health Policy Reference Center; Google Scholar; and Social Science Abstracts. Additional searches were conducted in Google and the Search Engine of Think Tanks from the Kennedy School of Government Library. The database Scopus was used for citation tracking. The intent was to provide an overview of some key concepts in the hospital entrepreneurship literature as opposed to a comprehensive survey. Although not referencing health or hospitals, recent work by others provide systematized reviews of the entrepreneurship literature.

**Approach**

The extent to which hospitals emerge from the last half-decade and use entrepreneurial thinking, strategies, methods, and tools to determine their future, depends on external and internal conditions and effectors. There are many interdependencies among the future hospital’s external and internal missions, markets, organizational structure, culture, management expertise, and the potential for change and change management. Theory and empirical research inform current understanding of the future hospital’s missions, given future competition for funding, the lack of which may reduce the ability of a hospital to cross subsidize unfunded missions. Future markets for health care will be dynamic, expanding and contracting as the business of hospital care changes; they will be global for much of the market, and more local as personalized medicine is integrated into the scenario of care planning and delivery. Organizational theorists and empiricists posit and test taxonomies for entrepreneurialism in generic organizations, in not-for-profit and for-profit firms, and in hospitals, modified by firm size, location, culture, managerial style, and governance. Inter and intrapersonal and organizational relationships, hierarchies, vertical and horizontal spread describe culture for existing organizations, in an effort to categorize, explain, and predict what form entrepreneurialism might take and how rapidly it will diffuse throughout an institution or system, and then guide owners, communities, managers, and investors in recognizing risks and rewards.

**Informative theories**

Theories and concepts from economics related to market competition help identify the possible external pressures facing the future hospital, that include population growth, disease burden, health delivery methods, concentration of markets, globalization of expertise and knowledge, and ease in transportation of technology and people. The growth in entities such as non-traditional radiology companies, or physician-owned specialty hospitals are believed to be a result of aggressive non-traditional competition, fueled by changes in market demands, profit centers, business principles, and economies of scale. Entrepreneurship is believed to play a moderating (albeit curvilinear) effect on the relationships between market orientation and performance for these new entities. Generally, when rapid change is buttressed by entrepreneurial behaviors, growth and sustainability are more likely. The importance of the economic perspective on entrepreneurship is supported by early work of Drucker, and more recent work by Shane and Venkataraman; but it is not the only useful perspective when considering the entrepreneurial hospital. Public sector entrepreneurship and social entrepreneurship concepts contribute “mission” and “value” as motivators of entrepreneurial thinking and behavior for
the hospital of the future. 26–28 Public sector and not-for-profit entrepreneurship theories suggest the community, the public good, and social welfare as direct or mediated influencers on the effectiveness and outcomes of entrepreneurialism in shaping the emerging hospital. Social entrepreneurship is viewed by some as the basis of successful value creation aimed at solving social problems. The constructs capture the many roles of innovation in achieving greater social impact.13,19,21,22,29–34 Drawing on the organizational identity literature, a study of award-winning social ventures demonstrated that these social ventures:

[..] exhibit dual identities – a utilitarian organizational identity (ie, entrepreneurial, product oriented) and a normative organizational identity (ie, social, people oriented). Further, when compared with the mission statements of other high-performing entrepreneurial enterprises [...] analysis suggests that social ventures manifest a greater normative identity and an equivalent utilitarian identity.27

Cultural competence, that is, the degree which organizations are predisposed to detect and fill gaps between market desires and market offerings, does not necessarily mean that social entrepreneurial endeavors are altruistically motivated. Not all social ventures start with the “intention of creating social value, but with the question: How can I make a profit”.30 A recently proposed paradigm called effectual entrepreneurship focuses on existing or available resources, rather than identifying opportunities first. For hospitals and other organizations, using this paradigm requires leaders to “foster a culture that questions the status quo”.32

Intra-organizational constructs

Theorists and thought leaders contribute to our understanding of what the emerging hospital as an institution might become with careful viewing of its intra- and extra-organizational structure and behavior, dynamic capabilities, strategic management, and asset orchestration.34–38

Hospital cultures are delicate and complex milieus of “difficult to imitate assets”, particularly knowledge, and “difficult – to – replicate enterprise capabilities”, both requiring “excellent orchestration” for sustainable success.36 Innovation and entrepreneurship in management, strategy, and governance grid enterprise performance. Many anticipated and unanticipated changes in health care delivery result in organizational transformations. These stand to threaten cultures.39 For instance, innovations that accompany such major transitions as medical homes (or their next embodiment) with their less provider-centric focus to more team-based and patient centeredness, can threaten organizational culture, resulting in provider dissatisfaction with many aspects of the work and the workplace.40 Understanding these and other threats to cultural stability that arise in entrepreneurial firms can lead to proactive means to manage expectations and relationships.41 Strategic human resource management has been shown to facilitate new product introductions in entrepreneurially-oriented firms, and facilitate more prominently in more uncertain environments.37 Empirical work, using both qualitative and quantitative methods, shows how aspects of general organizational culture in hospitals relate to patient safety, and how entrepreneurial orientation (EO) within hospitals motivates and protects staff and patients.42

In attempting to understand entrepreneurial behavior within organizations driven and not driven by profit motives, researchers have explored the role of governance, particularly as it is exhibited in boards of directors. Resource based theory and EO research look to boards as a strategic resource shaping EO and performance. A report of the International Bioethics Committee of UNESCO on Social Responsibility and Health addressed social responsibility in the context of health care delivery, suggesting a new paradigm in hospital governance. They concluded that, “adequate corporate governance and corporate strategy are the gold standard of social responsibility”. This new governance approach creates organizational value through “performance, conformance and responsibility”.79

Decades of research on EO of firms, teams, and organizational leaders have suggested robust relationships between entrepreneurialism and firm performance.6,12,39,41,44 There appears to be direct linkages, but also mediators of the relationship between EO and firm performance.44 In other research, EO and sales growth is mediated by high performance work systems and a partnership philosophy.45 Firm level EO needs to be an antecedent to enterprise learning processes, highlighting the relevance of innovativeness, proactiveness, and risk-taking.12 EO research also informs organizational strategy and performance; recently, researchers have explored how and why EO pervades organizations; three models examine the role of EO vertically across hierarchical units, horizontally across business units, and temporally as an organization develops.46

Researchers focus on other perspectives to understand and prescribe behaviors that lead to innovation and to performance. Research in Spain found that “marketing, management, and product innovation” actions provide the best performance of companies.48 Research on not-for-profits, specifically, found that behavioral orientations that lead to
higher levels of entrepreneurship affect social performance, but not financial performance.47

When the view from the hospital pans across the galaxies of industries with potential to advance much, if not all, of our understanding of health, health care, organizations, and definitions of “success”, one sees meteoric trajectories. Universities, investment houses, incubators, and industry report substantial and sustained increases in activity. A review of reports from the past year reveals that the ideas, technologies, clinical trials, and patent development involved in these efforts are innovative, rapidly developing, or in advanced stages of development, and will have significant impact on how and where care is delivered a decade from now. Some examples of these initiatives include the following: collaboration between “Brigham and Women’s Hospital (BWH) and Dana-Farber Cancer Institute (DFCI) to build new drug-device combinations where they have utilized nanomedicine technologies to develop a drug-delivery system that can precisely target and attack cancer cells”; new “technologies for minimally invasive medical devices for surgery, resulting in shorter hospitalization times and reduced therapy requirements”; new types of “tests including esoteric, public health, anatomic technology, genomic testing, mass spectrophotometry, and other new technologies”; the “development of bioabsorbables for reduction of post-operative adhesions”; “carotid and brain stents as minimally invasive procedures that replace surgical procedures”; emerging “breast cancer personalized and predictive diagnosis”,18–34 By drawing together care and research in new ways, the entrepreneurial hospital promises increased capacity for biomedical, communication, technological, and yet-to-be-discovered innovation.

The process
How does the entrepreneurial hospital “emerge”? Experts advise on the need for entrepreneurial education among leaders, managers, clinicians, academic medical centers, and industries now associated with health and health care, and other fields not yet aware of their future relationships.17,20,55–62 Just as physician entrepreneurs create organizations that can respond quickly to the financial incentives of the current hospital payment systems, the emerging hospital will need to be nimble and deliberate in using innovation to fund unfunded social missions.19 A key task of the entrepreneurial hospital is to invent and mediate new uses for its care infrastructure and the unique resource constituted by patient populations. Yet, as it invents and mediates new uses for patient populations and health care infrastructure, the entrepreneurial hospital stands to significantly redefine both systems of care and the bonds of social solidarity.63

Acknowledgment
Judith Smith, informationist at the University of Michigan, for her valuable assistance in directing and consulting on the search of the literature.

Disclosure
The author reports no conflicts of interest in this work.

References


46. Global market for biometrics slated for high growth through 2012 according to BCC research. *Health and Medicine Week.* 2007;4604. Available from: [http://go.galegroup.com/ps/i.do?s=GALE%7CA214261133;&v=2.1&rep=AONE&it=r&asid=79eq7948fd7a11f6ec6343081a4d0. Accessed March 10, 2015.](http://go.galegroup.com/ps/i.do?p=GALE%7CA214261133%3Bv%3D2.1%26r%3D&AONE%26a%3D79eq7948fd7a11f6ec6343081a4d0)


