

PROFESSIONAL BUREAUCRACIES MARKETS AND NETWORKS:

MANAGING BEYOND THE MARKET IN PUBLIC SERVICE

by Ann James

Contents

- CHAPTER 1: Managing to Care
- CHAPTER 2: A Changing Environment
- CHAPTER 3: The Heritage of Care Services:
Their role and function
- CHAPTER 4: The Heritage of Work Organization
- CHAPTER 5: The Thatcher Years
- CHAPTER 6: Managerial Responses in the Eighties and
Nineties
- CHAPTER 7: Professional Bureaucracies, Markets and
Networks: Managing beyond the Market

CH 7 PROFESSIONAL BUREAUCRACIES MARKETS AND NETWORKS:

MANAGING BEYOND THE MARKET

SUMMARY

The eighties have seen a paradigm shift in the construction of public services. We have evolved from a world which regarded stability as the norm and prelearning a necessity to one which is increasingly uncertain and surprising.

Chapter 7 brings together the threads of that shift, and offers a framework for making sense of it, a framework based on Professional Bureaucracies, Market and Networks. It argues that the market applied by Thatcher across the range of public services, though it has a very real contribution to make, is inherently flawed as a way of managing public service. It suggests the model has been overlaid across a receding, but nonetheless entrenched and all-pervading model of professional bureaucracy. It argues that the agenda for the future is to learn to live with diversity in the construction and delivery of human services and for the co existence of bureaucratic and market models together with another emerging model, that of networks. It promotes an agenda which pays primary attention to the interface between these diverse ways of working.

Finally it returns to the major theme of the book that managing human services is similar to managing other services, but it is not the same. It is not the same because such services are created on behalf of vulnerable people. The primary task of public services is to represent, to advocate and to empower that group of people within a set of competing political, economic and social choices. The remains the challenge and the conundrum in a post Thatcher environment.

We live in exciting times. Since commencing this volume the Berlin Wall has come down and we are watching the violent fracturing of an all pervading state system in Eastern Europe. This volume has repeatedly drawn connections between major world events and analogous behaviour in the deconstruction and reconstruction of public services (Ch 2 + 4). Not since Beveridge have we seen changes to our health and welfare services on a scale experienced in the eighties and nineties. To be an observer of these changes is challenge enough; to be a participant in them a privilege. Thatcher did us two favours. First she triggered a set of changes across the public service sector with a consistency and speed which created the potential for nothing less than a paradigm shift in thinking about the delivery of human services. Second, she left, or was removed from the primacy before an alternative paradigm was in place. As such she was an agent of the transition rather than a harbinger of the future (Ch 1).

The effect of flirtation with a market model has been to open up the debate. That debate is chaotic, in the technical sense of the word. That is, while it experienced as disengaged and confused, it holds within it certain shapes and patterns which already capture what will become the predominant modes of service delivery for the future. Of these two are dominant and arguably a third is emergent: the professional bureaucracy, the market and the network.

The Professional Bureaucracy.

Arguably the professional and the bureaucratic are different organisational forms which have been fused in public service through an accident of chronology (ch 4). Fig 1 uses a number of criteria to identify the difference between organisations forms (perceived nature of the business; the form authority takes; staff relationships and client relationships).

In the professional model the business of the organisation is perceived as being around the person of the professional. In the Health Service we talk of "going to see the doctor". For the business is medicine, or doctoring, or clinical practice, or nursing or general practice. In Social Services the business is social work. In education it is teaching. In contrast, in the bureaucratic model, the business is perceived as that which the organisation is seen to deliver, namely public services. So in the Health Service the business is hospitals (we talk of "going to the hospital"), in education it is schools, in social services it is services for vulnerable groups of people. In the bureaucratic model the visible service is more powerful than the invisible service.

The difference is neatly summed up in the shift Barnardos made in the eighties from a social work service to a child

care agency.

The authority of the professional lies in his/her expertise. Therefore power in professional organisations becomes associated with the exclusivity and elitism born of sophisticated and lengthy induction processes and as a result with extensive interprofessional rivalry. Clinical rivalry is a case in point. The bureaucratic form of authority lies in rank and line. So the Chief Executive in the Health Service or the Local Authority, once removed from office finds himself/herself suddenly without power.

In the professional bureaucracy there is a constant tussle between these two sources of authority. In that tussle the professional has often won, through more effective and consistent coordination of power into professional lobbies, such as the Royal Colleges. Thatcher's denigration of the power of the professional was accompanied by a rise in the power of the administrator turned manager. In consolidating that shift in power, the manager began to claim professional status for management. Sometimes the tussle was resolved by appointing professionals in leadership positions, such as clinical directors in the Health Service. It is not accidental that the trend to appoint Directors of Social Services or their equivalent without social work qualification came about in the late eighties and early nineties with the emergence of the manager as professional.

If the authority of the professional lies in expertise, then relations with staff reinforce that expertise. Professionals consult with others, including peers, but ultimately make their own decisions, assuming their superior expertise requires them to do so. In a bureaucracy, authority is passed up and down the line, so staff are informed rather than consulted by managers, on the basis that those at the top are paid more to take the harder decisions. This makes for difficulties in the professional bureaucracy, where some staff are consulted and others are informed. Professional decisions are frequently confused with administrative or bureaucratic decisions, not least because they often run across staff working in different modes. The result is that some staff complain that they haven't been consulted; others that people (usually those above them in rank) can't make decisions.

Then again in the professional organisation the user is the client, and a strict relationship is ensured between professional and client such that the professional knows best. In the bureaucracy the user is the recipient of services provided by the organisation. In both models the user is passive and this mutual reinforcement of passivity is one reason why user empowerment cannot be successfully achieved within professional bureaucracies.

So what happens to people who work in professional bureaucracies? Both professional and bureaucratic forms

require highly segmented organisational structures. For the professional this means reinforces exclusivity and uniqueness; and pride is around becoming the most exclusive, the most specialist. For bureaucrats too status is based on promotion, so there is inbuilt reinforcement towards compliance and empire-building. One effect is to create organisations in which people are at worst isolated, at best identify with only a small segment and fail to contribute to the whole.

Clearly these kinds of organisation work best in an environment which is safe and predictable, and which doesn't require people to change their skills or to work across organisational boundaries. Self-regulating professional organisations score on persistence and on resilience to change. In contrast bureaucratic organisations are normally politically regulated. This works well in a politically stable environment. Arguably the demise of the bureaucracy has much to do with political instability.

Certain types of organisations create certain kinds of leaders. The professional organisation puts super-craftsmen/women at its head. So, for example, a large part of the BBC is led by ex-producers. These leaders can carry extensive credibility within the organisation and often great personal authority and even charisma because of their craft. They are, however, an extreme form of functional leader, with achievement dependent on excluding wider views

and on making correct decisions. As such they are unlikely to carry the personal skills required of a corporate chief executive to bring different interests together for the effectiveness of the agency as a whole.

The Market Organisation.

Using our very crude model (Fig 1), in the market organisation the nature of the business is defined by the product or by a collective term which describes the range of products, (eg Yamaha is in the entertainment and leisure business). Authority is determined by market share and margin. The user is the consumer, and the way business is done is by negotiation rather than by consultation or instruction.

The kind of environment which suits the market organisation is one where purchasers and providers are clearly delineated such that contracts between the two can be negotiated. Regulation is legal and commercial such that organisations not responding to their environment do not survive.

People who flourish in market environments are those able to bring purchasers and providers together in productive ways. Aware of the needs of both, they are traders operating on the edges of their own organisations. They therefore need to be

WHY ORGANISATIONS WORK	PROFESSIONAL	BUREAUCRATIC	BUSINESS	NETWORK
<u>Organisation</u>				
1 Nature of the business	Professional identity	Description of service	Product(s)	Empowerment
2 Source of authority	Expertise	Line, rank	Marketshare	Capacity to enable
3 Staff relations	Consult	Instruct	Negotiate	Exchange
4 User relations	Client	Recipient	Customer	Colleague
5 Interagency relations	Explicit non-competition	Self-sufficiency	Competitive	Collaboration
<u>People</u>				
Leaders	Professionals	Administrators	Entrepreneur/dealer	Multiple leadership
Incentives	Job satisfaction, pride. Uniqueness.	Promotion, control over increasing resources	Margins and Market share	Robustness
Disincentives	Exclusion, isolation.	Resource-freezing or reduction	Risk	Invisibility Lack of status
Accountability	Profession	Employer	Purchaser	User
Skills predominating	Technical expertise	Compliance	Market sensitivity	Vision, empathy
<u>Environment</u>				
Nature of relationship with colleagues:	Co-professional	Line	Contractual	Equal
Nature of regulation	Self regulating	Political and legal	Legal and commercial	User charters

flexible and able to adapt their skills in a rapidly changing environment.

Does the market organisation succeed as a model for delivering health and welfare services?

Clearly there is no simple answer. What has happened is that at the highest, and arguably the simplest, strategic levels, the legislative framework has been put in place. Similarly there has been movement, variable according to service, at the professional and practitioner levels of activity. Teachers, doctors, social workers, probation officers and prison officers are designing and participating in new ways of delivering services. Increasingly these involve co-working with other professionals, and a wide variety of performance contracts, developing financial accountability and some commitment to enhanced user participation.

What remains uncertain is at the middle level. While the government has spelled out what must happen, and professional practitioners have got on with the everyday interface of service delivery, there remains considerable doubt about how to make the connections between grand strategy and everyday life. There is, for instance, a whole gap in commissioning in the Health Service between spot contracts and block contracts; a whole gap in Social Services between assessing the need of populations in community care plans and implementing individual packages of care.

It is assumed that somehow these gaps will resolve themselves through the activities of the market. So General Practitioners in the health market, and Housing Associations in the housing market, are the loose balls rolling around, and, it is naively assumed, acting as market entrepreneurs to fill the gap. At the same time the government is seen to be getting cold feet over the worse excesses of the market place (eg. failure to implement Tomlinson's report in London's hospitals in full). Though the rhetoric of managing the market is extensive and growing, there is no clear evidence as yet of capacity to exert leverage in the system. What there is is evidence of mapping, of spending, of staffing and of populations, whether in business plans, in trust applications or in community care plans. And arguably much of the business of retargeting according to identified need and agreed priorities would have happened anyway (viz Welsh strategy on mental handicap).

The Network Organisation.

The professional bureaucracy is a highly developed and articulated organisational form. The market organisation is less so, certainly in relation to the quasi-market of public service. Both have their strengths and weaknesses. Their overwhelming weakness is their failure to promote the empowerment of users and to be able to make the transfer from

directly managed and visible units into indirectly managed and invisible forms of service enablement.

So what kind of organisation might be expected to service communities and assist them in achieving their own image of a healthy community? Certainly not the hierarchical and Tayloresque organisation of the planned economy described as the professional bureacucracy (ch 3) which separates operation from control and which runs smoothly by cutting out extraneous feedback or noise from the environment. Certainly not the market organisation which seeks to satisfy the purchaser with the biggest bankroll. And yet we went to elaborate lengths to preserve and adapt our hierarchical organisations, as Chapter 5 describes, and to enormous trouble to simulate market conditions in public service.

In fact the seeds of these new organisations like most of the developments which will occur over the next fifteen years, are already with us. Hjern and Porter [1] get closest to describing them when they talk about "implemention organisations". With characteristics of hierarchical organisations and characteristics of market organisations implementation organisations are different to both. Like hierarchical organisations they seek to address multiple accountabilities, but no longer through notions of standardisation and uniformity (arguably bureaucratic substitutes for equality). Rather through improved information systems, through quality systems and through

published plans and policies. Like market organisations they respond to individual customers and hold members of staff accountable as individuals for performance by a series of incentives and disincentives. They take account of more than customer preference (in Hjern and Porter's terms address "ought as well as want"). They are about more than individual purchaser-provider transactions, but about less than all-pervasiveness. In other words they take account of the network of social obligations and responsibilities that underpin market transactions and which, other than price, determine how we decide with whom we do business and how we conduct that business. Indeed the complexity of the organisation and its multiple accountabilities is a source of strength not weakness. It ensures that commitment is to outcomes and not to employing agencies. It is for this reason that I have called them Network Organisations.

Examples of the Network Organisation include some of the company welfare schemes and some examples of good practice in joint agency activity. Many of the preferred company welfare schemes come from Japan and Germany and recognise a reciprocal relationship between employees and their company. Clearly they owe allegiance to a cultural form as yet not articulated in the UK. In contrast some of the US company schemes, which are market rather than company driven, have generated excessive competition among providers and excessive wants as opposed to needs among employees.

The Network Organisation is not housed in one place, with one set of staff and one budget, but is simply the place where things get done. It is like a project group in that it may be life-limited and outcome focussed, but it is more than a project group in that it is self-accountable and there to implement rather than to plan. It works 'on the hoof'.

The difference between a Network implementation Organisation and a project group is firstly, in the way the group perceives of itself and secondly in the ways it conducts its business. The creation of such implementation organisations are not, as is often assumed, peripheral to the "real" work of hierarchical institutions. Rather they represent a transition to a different form of organisation and one which takes its legitimacy from the community. If the future of health and welfare is seamless service then separate and hierarchical institutions cannot survive.

To go back to our crude model (Fig 1) the Network Organisation perceives its business as enabling. So in the Health Service, its business is, in the jargon, "health gain". It works by divesting authority in others, by empowerment. It operates on a system not of instruction (bureaucracy), consultation (professionalism) or negotiation (market) but of on-going exchange. "I'll do this for you and you'll do something for someone else." People who flourish in network organisations are those who can hold onto an image of connectedness without necessarily needing the superstructure

of buildings or of professional identity to hold them together. Regulation comes from the user, in the form of quality assurance and participation.

The concept of the Network Organisation frees us up to think differently about existing organisations. Public service no longer needs to correlate with hierarchy. Private no longer needs to be the opposite to public. Pluralism does not have to exclude individual initiative, nor democracy professional discretion. Information about needs of communities no longer needs to be organisationally specific. Indeed organisations can themselves be simply nodules on a network that is itself the community. The paradigm shift is in the mind of the perceiver.

Managing Diversity.

But if the future of public services is potentially around the Network Organisation, the past and the present is very much around the professional bureaucracy and the market.

To have identified different forms of organisational design is not to say that one is better or worse only that it may be more or less suitable for the environment in which it has to operate, more or less comfortable for the staff who work in it, and, above all, more or less appropriate for the needs of its service users.

That is not to say public service is required to move away from professional bureaucracy and into network arrangements. It is rather to recognise the value in the diversity of different management arrangement and different organisational forms. It is not to argue whether or not the market has replaced the professional bureaucracy or simply overlaid it, but rather to acknowledge the strengths and weaknesses of both.

Joint working and seamless service provision has not worked in the past not because we haven't tried hard enough or worked at it long enough. It hasn't worked because it is predicated on models of organisation - culture, budgets, boundaries, systems, staffing - being sufficiently the same to make it a reality. Once we begin to distinguish between different models, we can begin to design new forms of interaction between them. It may be that crude mechanisms for that interaction should and will persist. This includes mechanisms like joint post-holding, cross subsidising, joint planning, joint training and a joint language. But the mechanisms will not be ends in themselves but part of an integrated design process for seamless service provision.

At the present time professional bureaucracies, markets and networks sit together uncomfortably. They do so because each tries to communicate with the other by imposing its own mindset. So the market organisation tries to deal with the

rest of the system by the use of contracts. For example, the purchaser or the provider in the Health Service deals with the Regional Health Authority and the General Practitioner by agreeing a contract. Contracts however are not the means of communication of the professional. Traditionally professionals have communicated their intentions through joining together in professional associations. So the professional response to the General Practitioner or Consultant contract comes from the Royal Colleges. Moreover it utilizes a style not of negotiation (the market) but of consultation. Then again the Network Organisation feels particularly difficult for the Professional Bureaucracy to work with because it is fluid, largely invisible, and operating on an exchange rather than a command model. So, for example, local authorities find great difficulty securing appropriate accountability from small voluntary organisations and community groups.

In fact what is required is not that one form of organisational design intrudes upon another. Rather that there needs to be clarity about the nature and purpose of the interface and the creation of appropriate mechanisms to achieve that. A colleague, Martin Fisher, talks about "monoclonal antibodies" and their capacity to change shape in order to connect different surfaces. At a more simplistic level we might think of press-studs or buttons and button holes, where the garment is not intended to be seamless, but where fastenings are specifically designed to interconnect.

Managing leadership in diversity then requires two sets of skills. At one level it requires functional leadership of an organisation within its environment: the traditional role of the Chief Executive. At another - meta-level, effective leadership depends on managing the interfaces effectively, and therefore adding value to the public service as a whole. This means managing competing mindsets, different chronologies, separate power bases and above all, managing the fear which underpins the process of transition.

Conclusion.

This volume has catalogued a chronology of change: change in the political economic, social and technological context of public services (ch2); the thrust of professionalism (ch3); and the domination of Taylorsque and bureaucratic forms of service delivery (ch4). It has described the Thatcher era (ch5) and articulated the three main managerial responses to its demands (the business solution, the planning solution, the restructuring solution, (ch 6)

Not unnaturally in the aftermath of Thatcherism we are experiencing a lack of momentum even a vacuum in promoting a privatised market in public service. Two explanations are emerging for this .

The one is in the amended language of the Social Market (2), a market principle softened by John Major and William Waldegrave to include the Citizens Charter and to confine the runaway activities of free market providers (eg. NHS Hospital Trust and their restrictions on capital borrowing). This includes a rhetoric now surfacing about the inherent value of the public services ethic, a rhetoric which appears to go back to John Major's personal career experiences at Lambeth.

The second is less an explanation than a backlash against the market principle. The breakup of Eastern Europe, initially welcomed as the dawn of new era, is rapidly disintegrating into a bloody power struggle. So the NHS, even as third-wave trusts come on stream, is facing fractured relationships due to the purchaser and provider split, myopia caused by constant and inward looking planning and restructuring exercises and the repeated blaming of parts of system not as yet operating within a single and singularly narrow interpretation of the market. There are signs that the government has lost its nerve over the market in health care, for instance on its failure to attach real spending to floating a market in primary care in accompaniment to the closure of some of London's key hospitals post-Tomlinson.

This argument, focussed by Osborne and Gaebler [3], acknowledges the absence of a new paradigm and looks simply to instances of good practice and successful public services

endeavours to capture potential characteristics of precursors to a new paradigm.

There is a third explanation. Over the last ten or fifteen years we have been faced with a rhetoric of management that has now disintegrated. As with the economy, in our uncertainty we have experimented with a range of theories and models, and come up with none that is as yet appropriate to our changed situation. So in management we have laboured under a set of theories that have in turn sought to define task (Management by Objectives); to clarify resources (Management of Human Resources; Management by Cash Limits); to reunite structures, systems and strategies (Management by Restructuring, Management by Information Technology Management by Policy and Protocol). Finally we have looked to change cultures (Management by Vision and Values). (See Fig 2 reprinted from Ch 4.)

The demise of Thatcherism has brought with it the demise of single vision. It is too early to say whether or not Thatcher and her contemporaries, notably Kenneth Clarke in the public sector, were truly visionary or simply forceful and directional personalities. What we do find post-Thatcher is less an absence than a multiplicity of visions for public service as represented in the variety of White Papers emerging in the early nineties. It is this multiplicity of visions which makes leading organisations in transition such a difficult job to do. It may be that Chief Executives have

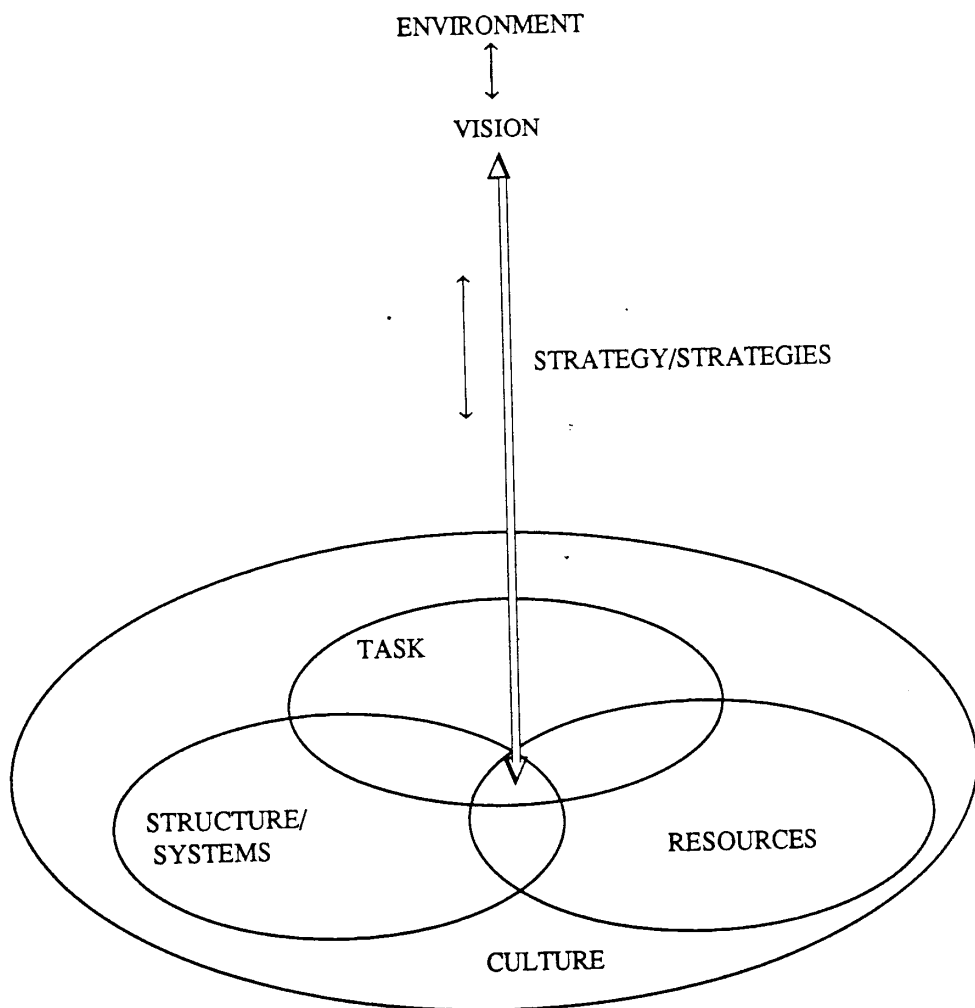


Fig 2 A Framework for Understanding Orgnaizations, A James.
(Fig 1 Chapter 4)

to invent visions for the effective coordination of their organisations. It may be that visions never really existed anyway except in the minds of Peters & Waterman (4). Certainly the reality for many Chief Executives is a reality of leading without a clear expectation of what the outcome will look like. We do not know what will happen to public service when the market model has peaked.

It could be that this comes as something of a relief. It gives us an opportunity to live with some ambiguities of a public service system which has and is trying to take on board the lessons of the market place. It allows for a revised form of professionalism to remerge. It permits diversity in management arrangements and in styles of management to begin to surface. It questions the value of enhances user choice where the chosen is not available due to resource constraint. Above all it is a change to create modes of service delivery which put empowerment back into our caring services, back into our service users and back into our communities. The last fifty years have demonstrated what happens when empowerment is bolted onto an inappropriate service delivery system. The empowering manager will be the one who works at the interface of organisations to create, not seamless, but jigsaw services for users. Learning to do that is the business of managers in the nineties.

REFERENCES

1. Hjern and Porter, "Implementation Structures: A new kind of administrative analysis", in Organizational Studies, 1981, 2/3: 211-227
2. Leadbetter, C, "Whose Line is it Anyway?", Marxism Today, July 1991
3. Osborne D and Gaebler T, Reinventing Government, Addison Westley 1992
4. Peter and Waterman, In Search of Excellence.

King's Fund



54001001411787

