Quality Management and Managerialism in Healthcare

A Critical Historical Survey

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Preface

Over the past decades, calls for the application of modern principles of management to the provision of healthcare have intensified. This has partially been driven by advances in medical care and information technology. Specifically, the rise of modern medicine in the nineteenth century and rapid developments in diagnostic procedures and treatments during the twentieth century have expanded the complexity of medical practice. This has been accompanied in the second half of the twentieth century by advances in digital information processing which have created new possibilities for storing, retrieving, transmitting and processing medical data. Taken together, these developments have created demands and opportunities for increased levels of managerial control of health services delivery which, in turn, are often linked to expectations of improved levels of quality of care.

Today, there is an extensive literature that seeks to provide frameworks and models for addressing the quality of care dimensions of health services provision. Most of this literature is underpinned by managerial approaches that can be linked to the rise of New Public Management during the 1980s and that of performance management more generally. As a consequence of this legacy, there is now also a growing literature that criticizes these managerial approaches from various perspectives. As of yet, there is no single scholarly work that explores the evolution and co-evolution of these bodies of thought from a systematic historical perspective. This situation is particularly surprising in the current context of austerity, in so far as this has led to a renewed debate on the efficacy of top-down, performance-focused approaches to health management.

This book aims to fill this gap by creating a comprehensive and systematic international survey of various perspectives on healthcare quality management, together with some of their most pertinent critiques. The core themes of this book are presented in a roughly chronological order. Chapter 1 starts with a general discussion of the factors that drove the introduction of management paradigms into public sector and health management contexts in the mid- to late 1980s. Chapter 2 explores the rise of risk awareness in medicine, which, prior to the 1980s, stood largely in isolation to the implementation of managerial performance targets. Chapter 3 investigates the widespread adoption of quality and performance management frameworks within healthcare during the 1980s and 1990s. This is followed by Chapters 4 and 5 which examine systems-based models of patient safety and the evidence-based medicine movement as exemplars of managerial perspectives on healthcare quality. Chapter 6 discusses potential future avenues for the development of alternative perspectives on quality of care which entail nascent technologies such as ‘connected health’ and ‘telehealth’.

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1

Managerialism: A Historical Overview

The introduction of managerialism in the public sector is associated with the New Public Management (NPM) movement of the 1980s. In the private sector, however, the genesis of managerialism is an event that marked the beginning of the twentieth century (Fleischman and Tyson, 2006), though its roots date back to the Industrial Revolution. As a background for understanding the reasoning behind the introduction of managerialism in the public sector in general and in healthcare in particular, this chapter provides a historical overview of the phenomenon of managerialism, its impact on healthcare management and the development of concepts of healthcare managerialism over time.

The introductory sections of the chapter outline the evolution of performance management as a key managerial tool within private sector companies during the nineteenth century and the subsequent rise of management as a crucial function inside these organisations in the twentieth century. In addition, the discussion summarises the evolving nature of the concept of performance and the approaches that have been used to improve it from the early days of manufacturing until more recently, as well as the impact of both on the ways organisations have been managed, particularly in the past two centuries. The chapter next explores the broader contemporary context in which private sector management approaches have often been uncritically transposed to the public sector in general and into the health services sector more specifically, thus giving rise to allegations of managerialism. Specifically, our discussion focuses on the rationales that NPM advocates proffer in support of the introduction of for-profit-enterprise-related approaches to performance and quality management in public sector contexts. Having developed a working definition of managerialism, the chapter then traces the link between this phenomenon and the rise of performance management and accountability as core themes within the contemporary public sector and healthcare management literature. To conclude, we discuss the spread of New Public Management and recent developments of managerialism, including the emergence of the concepts of 'leaderism' and its impact on health policy within an international context. After providing the background for the book's underlying rationale, this chapter concludes with the presentation of the outline of the remaining chapters.

The rise of the industrial organisation model and the establishment of performance management as a key managerial tool

Performance measurement and management are not recent phenomena. The recording of information on commercial transactions is a long-standing practice, probably as old as trade itself. Ancient civilisations already used bookkeeping records engraved in stone tablets (Johnson and Kaplan, 1991), and in Britain auditing dates at least from medieval times (Matthews, 2006, p. 6). However, as we will see later in this chapter, it is worth noting that despite the long history of bookkeeping records, performance measurement and management only became key management practices in the mid-eighteenth century. Until that time, the putting-out system was the dominant business model adopted in an economy that was primarily agriculture based. Within this model workers were paid for the amount of work done (piece work) and production took place at their home (Mokyr, 1998), the economic units had a simple structure and usually there were no shareholders. The owner-entrepreneur managed the business by buying materials directly from suppliers and selling to consumers without intermediaries. Records of commercial transactions with customers, suppliers and subcontracted labour were prepared by the business owner for his own use and according to his will and needs. This information was used by the owner for multiple purposes, such as to know the business's whole financial situation, calculate the cost of producing goods and assess the honesty of contracted labour in using the raw materials in the production processes (Johnson and Kaplan, 1991). At that time, taxes were not levied on profits (Day, 2000) and the putting-out system was thus characterised by the absence of public scrutiny of accounts and by limited focus on accountability.

In the period between about 1760 and 1830 a series of changes occurred across four areas. These included economic growth, technological change, structure and scale of firms, and the characteristics of economic transactions (Mokyr, 1998). This took place initially in Britain and later spread to other countries such as the United States and Germany (Chandler, 1994). These changes, which later became known as the Industrial Revolution, led to the substitution of the agricultural-based economy by a mercantile and manufacturing-orientated setup (Day, 2000). Rapid developments in transport (e.g., steam engine locomotives connecting Merthyr–Abercynon (1804), Stockton–Darlington (1825), Liverpool–Manchester (1830)), communications (electric telegraph (1837) and resulting innovative marketing tools) and economies of scale driven by technological innovation (e.g., mechanical spinning) led to the rise of the industrial organisation model (Mokyr, 1998).

The industrial organisation model marked the beginning of modern mass production, mass marketing and mass distribution, replacing traditional local markets by a new regional market economy (Chandler, 1994). Individual transactions, where the producer personally knew the consumers and the suppliers, gave place to formal, impersonal and competitive economic transactions (Mokyr, 1998). With this new dominant business model, the simple structure of economic units was gradually replaced by large capital-intensive and complex firms such as textile mills, railroads, steel companies, mines and large retail stores (Mokyr, 1998). Some of these (e.g., building and operating of railroads) required vast amount of capital investment (Chandler, 1994). By contrast to the putting-out system used in the past, the factory system relied on hiring workers on long-term employment contracts to work inside the factory premises, where their work was closely supervised using command and control structures (Hudson, 2004).

The novel features of industrial production and organisation and its associated separation of management typical of this form of capitalism presented new challenges to performance measurement and management. The fact that conversion processes started to take place within the factory, rather than at subcontracted labourers' homes, led to the need to find alternative ways of costing the steps involved in the production process and of measuring the efficiency with which material and labour were being used (Johnson and Kaplan, 1991). As a result of these changes factories became too large for the individual owner-entrepreneur to manage, because it became increasingly difficult to simultaneously control all the transactions the company had with individuals external to the organisation and to exert control over the levels and quality of production within the organisation. This led to the creation of intermediate levels of management and the consequent adoption of a hierarchical organisational structure where the owner-entrepreneur was detached from day-to-day business activities (Johnson and Kaplan, 1991). Operating decisions, which often took place in factories located far from the offices where the owner lived (Johnson and Kaplan, 1991), were controlled by salaried managers (Chandler, 1994). Labelled 'managerial capitalism' by Chandler (1994, p. 9), this represented an organisational model in which salaried managers (instead of owners) took decisions concurrently on operational and strategic issues as the growth of a company created new management challenges. This required a series of changes in relation to record keeping and the disclosure of information.

The separation of ownership and management exerted pressures in favour of an expansion of purposeful record keeping. In addition to monitoring debts, records also had to inform the owners of the business regarding its activities which were controlled by salaried managers (Day, 2000). Additionally, in many businesses, the ownership of a company was formed by a number of investors who were geographically scattered and often without an in-depth understanding of the business (Chandler, 1994). In line with these increased information needs within factories, measures traditionally used to control costs (e.g., cost per hour and cost per pound produced) were applied to specific production processes and individual workers (Johnson and Kaplan, 1991). For example, this led to the introduction of gross margin per department indices and inventory stock turnover in retail stores (Johnson and Kaplan, 1991).

Besides leading to internal organisational changes, the adoption of the industrial model also influenced the way companies interacted with the external environment. In conjunction with new performance measurement tools, more detailed and refined accounting practices were gradually enforced by law (Matthews, 2006). Railways, in particular, being amongst the largest companies created during the Industrial Revolution, faced major accounting challenges which fostered the development of several accounting innovations (Matthews, 2006). These included a refined version of the double account system, the balance sheet and uniform accounts becoming mandatory for all railway companies (Matthews, 2006). Furthermore, in Britain, the possibility of stock exchange listing allowed by the Companies Acts of 1856 and 1862 marked an important step towards the enforced adoption of more rigorous accounting procedures as companies were required to meet a number of accounting obligations. These included the adoption of the double-entry bookkeeping principles and the preparation of a company balance sheet (Matthews, 2006). Another example of such changes can be found in the fact that it became common to hire accountants to audit the company's accounts in order to protect the investments of partners or shareholders in the eighteenth century (Matthews, 2006).

It is worth noting that, notwithstanding these improvements, accounting practices were still rudimentary when compared with the accounting procedures operating at the present time and that the regulation of accounting was still in its infancy. For example, while in Britain the Companies Acts of 1856 and 1862 required the adoption of more rigorous accounting practices, they still did not specify the layout of a company's accounts or the details of auditing procedures (Matthews, 2006). Two main reasons explain the perpetuation of these basic accounting standards. On the one hand, although there had been a widening of capital markets in the period from 1870 to 1900 with an increase in the number of shareholders per company, their legal rights in terms of access to company information remained quite restricted (Aranya, 1979, p. 266). On the other hand, managers were reluctant to disclose more information, claiming that to do so would give valuable information to competitors and thus harm their shareholders' interests (Rose, 1963; cited in Aranya, 1979, p. 266).

In terms of the relation of companies to the market, the first entrepreneurs that adopted the industrial organisation model obtained naturally dominant competitive advantages based on the reduction of production costs associated with the economies of scale of their companies (Chandler, 1994, p. 8). However, these economies of scale also fostered the spread of the industrial organisational model. With an increasingly greater number of companies adopting the industrial model, the potential of individual firms to achieve a dominant competitive position based on economies of scale diminished. This meant that the competitive focus of companies had to shift. Companies began to emphasise on improving the efficiency and effectiveness of their operations and adopting suitable strategic approaches with a view towards increasing their market share and profitability (Chandler, 1994, p. 8). As Chandler (1994, p. 8) notes, companies at that time were concentrating their efforts on 'improving their product, their processes of production, their marketing, their purchasing, and their labour relations and [...] by moving into growing markets more rapidly, and out of declining ones more quickly and effectively, than their competitors'. In line with this emphasis on efficiency improvement, the last two decades of the nineteenth century were marked by the beginning of the scientific management movement, which led to a further impetus on performance measurement and management.

The increasing focus on performance management and the scientific management movement

The principle of managing companies along scientific lines was pioneered by the US engineer Frederick W. Taylor, and became known as Taylorism. The fundamental purpose of the scientific management approach was to 'secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employé' (Taylor, 1911, p. 9). According to Taylor (1911), maximum prosperity required the development of each worker to their peak of efficiency which, in turn, would allow achieving the objectives of both employees, by returning higher wages, and employers, who were rewarded with lower labour costs, which implied potentially higher profits. In order to achieve this, managers were instructed to conduct a scientific study of the motions and times of each task involved in the production process with the aim of eliminating all unnecessary motions and substituting slow by the fast motions. The objective was to identify the 'one best way' of doing things.

Through training and development provided by managers, employees would then learn how to perform each of their tasks following a uniform 'scientifically' designed approach. This scientific approach to work contrasted with the rule-of-thumb methods of previous generations, whereby knowledge was mostly obtained through learning by watching others doing the tasks (Taylor, 1911). As a result of the implementation of 'scientific' approaches, workers began to receive detailed written instructions about tasks to be carried out, how to execute them and the duration of each task. This is illustrated in Taylor's (1911, p. 46) account of the instructions for handling pig iron which were given to an employee at the Bethlehem Steel Company:

> When he tells you to pick up a pig and walk, you pick it up and you walk, and when he tells you to sit down and rest, you sit down. You do that right straight through the day. And what's more, no back talk. [...] When this man tells you to walk, you walk; when he tells you to sit down, you sit down, and you don't talk back at him.

By performing their tasks as instructed, Taylor (1911) demonstrated that good-quality workers were able to improve their performance considerably. As a result, Taylor advocated that they should be paid more. Under the scientific management approach, a high-priced worker (i.e., a good performer) was considered to be someone that would do exactly what their superior told them to do during the entire working day (Taylor, 1911). The adoption of the principles of the scientific management movement encouraged further developments in performance measurement.

Overall, it is evident that the human resource management practices associated with scientific management greatly differ from the ones which governed the putting-out system. This divergence was particularly noticeable in terms of the reduction of employees' autonomy, which was accompanied by a corresponding power gain by managers. Although the history of managerialism is related to for-profit companies, it is relevant for understanding the processes by which management became a key function within all companies. Similar to private sector companies, NPM was from the outset informed by efficiency concerns, which can be traced to the scientific management approach. Thus, as in the case of workers governed by scientific management approaches in factories, one of the key criticisms voiced in relation to the implementation of NPM in healthcare concerns the loss of autonomy by nurses (Carvalho, 2012, p. 529) and doctors (Bottery, 1996) and the corresponding increase of power of managers (Hunter, 1992, p. 557). Although some authors (e.g., Ferlie et al., 1996, p. 240) have pointed out that this power shift has not been linear, in that 'some professionals have gained [power], some have lost and some have changed', it is accepted that practices such as evidence-based medicine (Walshe and Sheldon, 1998, p. 19) and the introduction of the purchaser/provider split have resulted in a loss of power by clinicians (Cairney, 2002, p. 377). Thus, the shift in power from professionals to management, particularly in the early stages of change, can be described as a constituent component of NPM (Ferlie et al., 1996, p. 11).

Large corporations, performance as a multidimensional concept and management control systems

The focus on increasing the market share and profitability, coupled with newly acquired functional improvements and strategic management skills, encouraged firms in the early twentieth century to progressively develop into large, complex, multiproduct, multimarket and multidivisional corporations (Chandler, 1994, p. 42). This organisational design significantly differed from the one adopted by large companies created during the Industrial Revolution (e.g., textile mills, railroads, steel companies, mines, large retail stores), which focused primarily on one product and one production process and thus made it relatively easy to determine the efficiency with which resources were being used.

An example of these large multidivisional corporations was the US Du Pont Powder Company, founded in 1903, as a result of the combination of many family firms into a consolidated corporation with central management (Hounshell, 1988). In the beginning the Du Pont Company manufactured three types of explosives which were targeted at three different markets (Hounshell, 1988). The management skills of the Du Pont Company were key to its future success. Drawing on these skills, the company progressively became more diversified during the second decade of the twentieth century when it moved into non-explosives businesses such as artificial leather; dyestuffs and related organic chemicals; vegetable oils, paints and vanishes; water-soluble chemicals; and celluloid and cotton purification-related industries (Hounshell, 1988). Some of these diversification ventures resulted from the initial consolidation of the business and others from the acquisition of existing companies or technologies and their improvement through in-house research and development (Hounshell, 1988). Eventually, the growth of Du Pont in terms of diversity of products and markets led to the need to decentralise support functions (marketing, financing, purchasing) into different operating divisions, which led to the creation of the company's multidivisional organisational structure (Johnson and Kaplan, 1991).

Based on Taylor's scientific management principles, Du Pont created performance measures such as the return on investment (ROI) in order to assess the efficiency of the various departments within the company as well as to inform capital allocation decisions (Locke, 1982). In the 1920s, the multidivisional organisational model developed by Du Pont was introduced in other corporations such as General Motors. At that time it became common for companies to use four main strategies to grow. These included (i) acquiring or merging with similar firms in terms of product, production processes, markets – that is, growth through horizontal combination, (ii) incorporating companies whose activity focused on other stages of the chain of production (such as the extraction of raw materials or delivery to customers) – that is, vertical integration, (iii) entering into other geographical markets and (iv) producing new products using the company's existing technology (Chandler, 1994, p. 37).

The evolution of the organisational landscape into more complex enterprises in the early decades of the twentieth century increased the focus on performance management and brought new challenges to the management of businesses. Specifically, performance measurement became central to the way company headquarters would assess the results of individual divisions within giant multidivisional, decentralised corporations, as well as of the assessment of their managers (Johnson and Kaplan, 1991). Information on departments' ROI informed top managers' capital allocation decisions across divisions (Johnson and Kaplan, 1991). This significantly differed from the capital decisions of companies which had adopted the industrial organisational model, which simply focused on the decision to expand the scale of existing operations or not to do so (Johnson and Kaplan, 1991).

Alongside the rise of large corporations, the twentieth century saw the establishment of management as an important recognised function within organisations. This led to a subsequent proliferation of new management tools, including innovative ways of measuring performance (e.g., benchmarking, ISO quality standards, balanced scorecard). In 1997, the Harvard Business Review published a supplement summarising the most significant management ideas in the period 1922–1997 and the most noteworthy events that marked this time (Sibbet, 1997). The review implied that during the twentieth century business management, as well as companies themselves, was influenced by a series of interconnected trends which resulted in a greater remoteness of shareholders and top managers from operational management; a more regulated, global and competitive organisational context; the enlargement of the concept of performance; and an increase in the number and influence of stakeholders.

Reconfiguration of the role of shareholders and managers

The concept of multinational corporations with divisions located in several countries and the relocation of production to countries with lower production costs shaped enterprise configurations of the twentieth century. With stock exchange listing being given a legal framework through the Companies Acts of 1856 and 1862 in Britain, and later on in other countries, the number of shareholders has grown since the end of the nineteenth century. As a consequence, shareholders have become more demanding in terms of the level of detail they expected to be disclosed by companies in their reports. This issue is explored further in the next section of this chapter.

As noted earlier, the increased detachment of owners from day-to-day management was accompanied by a consequential power gain by professional managers as well as the creation of additional levels of management. Managers, therefore, increasingly started to perform key roles within organisations in relation to both operational (e.g., monitoring the company's objectives and targets) and strategic decisions (e.g., setting of objectives and targets; definition of the products and services to be produced and to which markets; allocation of resources across the corporation's divisions and departments). This situation required senior managers in different divisions and at corporate headquarters to have sufficient information to assess middle managers' performance (Collier, 2003). This information was also required to inform investment decisions, such as the allocation of resources across different product lines, decisions regarding long-term investment strategies and plans for the future development of new products (Chandler, 1994, p. 42). The inadequacy of existing financial control systems subsequently led to the creation of innovative performance measurement practices (Kaplan and Norton, 1996, p. 3). At the beginning of the twentieth century, the aim of these measurement approaches was to provide a summary financial indicator to inform decisions with examples of novel tools, including ratios such as the 'Return on Investment' (ROI) and the 'Return on Capital Employed' (ROCE) (Kaplan and Norton, 1996, p. 3).

The adoption of management practices which assessed performance based on outcomes rather than on processes allowed managers to monitor the performance of staff without necessarily having the same knowledge and skills as the staff who executed the tasks. When compared to the scientific approach to management, the adoption of these new management practices resulted in a sea change on how human resources were managed within organisations as well as modifying views on the relations between managers and other staff. Whilst the scientific approach to management discussed above advocated the distribution of detailed written instructions about tasks to be carried out, how to execute them and the duration of each task (Taylor, 1911), the new approach centred on setting targets that defined the expected performance while not necessarily specifying on how to achieve those outcomes.

The new centrality of managers thus was closely associated with the possibility of managers monitoring other staff's performance through the use of outcome indicators. This bolstered the belief that everything that could be measured could also be managed, which opened a pathway to the intellectual growth of what we would describe as 'managerialism'. In line with this new management philosophy, there was a sequence whereby performance measurement tools focusing on financial performance (e.g., ROI and ROCE) were gradually augmented by several other management tools with a broader scope during the twentieth century. These included management by objectives (1950s), statistical quality control for acceptable defect levels (1950s), management by numbers (1960s), managerial grid (1960s), critical path method (1960s), statistical process control for quality which later came to underpin total quality management (1980s), ISO standards (1980s), benchmarking (1980s) and the balanced scorecard (1990s) (Sibbet, 1997).

The setting of key performance indicators and targets was accompanied by a drive towards greater accountability within companies. As Peter Drucker (1975, pp. 132–133), the proponent of the 'management by objectives' philosophy, argued,

> management by objectives and self-control is primarily a means to obtain standards higher than are to be found in most companies today. And every manager should be held strictly accountable for the results of his performance.

This focus on accountability was not only linked to greater control needs which had resulted from the increased remoteness of shareholders and top managers from operational management, but it was also influenced by the existence of a more regulated, global and competitive organisational context. This context was often characterised by an increase in the number and influence of stakeholders as well as the adoption of more complex and multidimensional concepts of performance.

Changes in the organisational context

Throughout the twentieth century, several significant events took place leading to a situation in which business environments became progressively more regulated, global and competitive. Regulations were introduced into public, private and third-sector organisations across virtually all areas of the workplace (Edwards, 1979). As Arrighi (1994, p. 2) notes, during the twentieth century there was a 'proliferation of legal constraints on the organisation of processes of production and exchange'. The introduction of these constraints resulted in an increased formalisation of economic institutions (Arrighi, 1994, p. 2) and greater levels of government intervention (Blyth, 2002, p. 267). Consequently, regulations were introduced in areas as disparate as employment (Dodd, 1943; Crompton, Gallie, and Purcell, 1996), competition, environment, consumer protection (Majone, 1990), health and safety and international trade (Trebilcock, Howse, and Eliason, 2013, p. 288). Additionally, some sectors of activity (e.g., the food industry, civil aviation, coal mining, drinking water, education and healthcare) have been subject to specific regulations and the creation of sector regulators (Department for Business, Innovation and Skills, 2013). For example, in the United Kingdom the Care Quality Commission; the Professional Standards Authority for Health and Social Care; and the Medicines and Healthcare Products Regulatory Agency act as dedicated regulatory agencies for the healthcare sector (Department for Business, Innovation and Skills, 2013).

While this increase in regulation has shaped the day-to-day management of organisations, the behaviour of organisations also affected the nature of regulatory activity. One example of this is the evolution of the disclosure of accounting information from the beginning of the twentieth century (Lee and Parker, 1984), and particularly since the mid-1920s, to the present. In this instance two key factors led to a tightening of regulations on the disclosure of accounting information. The growth in size and number of corporations and the associated capital investments needed led to shareholders becoming more demanding, while creditors and investors required detailed information to make decisions (Aranya, 1979). Users of company information started to exert pressure on company managers in order to acquire access to more detailed and reliably audited financial information (Aranya, 1979, p. 268). With the help of governments, which also had become users of company information together with acting as their regulator, requirements for information disclosure were broadened, making information accessible to individuals operating outside specific companies (Aranya, 1979). In addition to this pressure, events such as the Great Depression of the 1930s (Benston, 1969), accounting scandals such as the Royal Mail case in the United Kingdom in the 1930s (Aranya, 1979), and more recent events surrounding Enron and WorldCom in the United States, Parmalat in Italy, ABB and Skandia in Sweden, and Polly Peck in the United Kingdom contributed to a tightening of regulations across different jurisdictions (Jones, 2011, p. 8).

Additional challenges arose from ongoing processes of globalisation which accelerated during the latter part of the twentieth century. Globalisation can be perceived as the 'global spread of business and services as well as key economic, social and cultural practices to a world market, often through multi-national companies and the internet' (Deem, 2001, p. 7). Although it has been argued that globalisation began in the 1820s, the term 'globalisation' was rarely used in the 1980s (Giddens, 2002, p. 7) and only became popular in the 1990s (for a discussion on the beginning of globalisation, see, e.g., O'Rourke and Williamson, 2002).

The phenomenon of globalisation led to several changes in the business environment. For the purpose of this book, two key aspects of globalisation, notably the intensified competition and the trend towards standardisation of products and services (Smeral, 1998), deserve special attention. On the one hand, the increase in competition creates additional pressures to improve performance (see, e.g., Hodgson, Farrell, and Connolly, 2007). On the other hand, globalisation has created an awareness of management practices and procedures adopted elsewhere. This has promoted the transfer of management techniques across different sectorial and geographic contexts, which in turn led some researchers to observe a convergence of management practices, especially as concerns corporate-governance structures (Gugler, Mueller, and Yurtoglu, 2004).

This globalisation of management practices has also been observed in the literature in connection with healthcare contexts. Books like *The Migration of Managerial Innovation: Diagnosis-related Groups and Health Care Administration in Western Europe* by Kimberly and de Pouvourville (1993) and *The Globalization of Managerial Innovation in Health Care* by Kimberly, de Pouvourville and D'Aunno (2008) specifically focus on the adoption of Diagnosis-Related Groups, developed in the United States in the 1980s, by countries such as the United Kingdom, Portugal, Sweden, Denmark, France, Belgium, Germany, Switzerland, Italy, Australia, Japan, Singapore, Hungary and Canada; and in so doing suggest that some aspects of managerial practice are now widely disseminated across healthcare systems.

The role of stakeholders

Another area of significant change during the twentieth century was the relationship between companies and their stakeholders. Since the 1950s in particular, the idea that companies and their managers had a responsibility towards society gained increased prominence (De Bakker, Groenewegen, and Den Hond, 2005, p. 283), with researchers arguing that this reached beyond the responsibility of being profitable and generating the maximum financial return to shareholders (Carroll, 1991, p. 39). Corporate social responsibility accordingly encompasses the expectations that companies operate within the legal framework, follow ethical principles and act as good citizens through philanthropic actions that contribute to the quality of life and the well-being of the community.

As a result of these developments, the past century has been marked by a recognition that an increased number of stakeholders are interested in knowing about the company's performance. Nowadays, stakeholders include owners, customers, employees, local communities, competitors, suppliers, social activist groups, the public at large, government and the media (Carroll, 1991). Additionally, there is a presumption that stakeholders have a greater influence on the management of companies. For example, stakeholders are assumed to exert more pressure on organisations to adhere to the law and to conform to social expectations than before. Also, it has been argued that companies are currently characterised by more intense interaction between internal and external stakeholders, to the point of involving stakeholders in the development of innovations and company policy. In the new paradigm of 'open innovation', companies endeavour to make the best use of both internal and external ideas and use collaborations with external stakeholders in order to innovate (Chesbrough, 2003, p. xxvi). This contrasts with the traditional model of 'closed innovation', where companies developed new innovations in-house and closely controlled the innovation process (Chesbrough, 2003, p. xxvi).

The rise of performance as a multidimensional concept

Changes in the organisational contexts, greater numbers of stakeholders and their demands for analysing companies' information for various purposes (e.g., investment decisions, distribution of dividends to shareholders, pay decisions, employee performance management, tax payments, supplier relationships) have all led to a gradual widening of the concepts of performance. In this context, more emphasis is being attributed to dimensions other than finance, which has transformed the idea of performance into a multidimensional concept, including aspects such as marketing, operations management, supply chain management, innovation (Neely, 2007), employees, systems and organisational procedures (Kaplan and Norton, 1996, p. 28), corporate social performance and environment (Stanwick and Stanwick, 1998). The second half of the twentieth century in particular has been marked by the rise of quality as a key dimension of performance (Sibbet, 1997). Performance has thus moved far beyond the profit or loss figures that were calculated in the past on the basis of sketchy accounting records of direct commercial transactions with customers, suppliers and contracted labour of the putting-out system, or the measures of production costs and efficiency, introduced during the Industrial Revolution.

The multidimensionality of the concept of performance is reflected in the progressive adoption of broad-based management tools