A HEALTH AUDIT FOR SOCIAL ENTREPRENEURSHIP: SUSTAINING INNOVATION IN THE AGED CARE INDUSTRY

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ABSTRACT
This paper assesses the findings of a study on aged care facilities to act entrepreneurially and support innovation that delivers resident valued services and meets policy guidelines aligned to community and government expectations and standards. A validated and adapted audit instrument is used to: identify the opportunities for corporate social entrepreneurship within the Victorian aged care industry; evaluate the role of the board, management, and staff as care providers in targeted innovation initiatives; and measure sustainable innovation. Analysis indicates that the adopted health audit can both assess the climate for social entrepreneurship and identify the training areas for sustained innovation within aged care organisations.

INTRODUCTION
Care of the aged has become a topic for sustained discussion across all sections of the community and as ‘baby-boomers’ enter the retirement and care community the demand for residential aged care will escalate. There are close to two million Australians over the age of seventy and the number is set to double in the next twenty years (Ansell, 2008). Individuals as they age have always been concerned about the ‘who, what, where, why and how’ of their future. Families and significant others have become increasingly concerned with the quality of aged care services at all levels – decision making, access to quality services and bedside care are three such areas of concern. Aged care is a major industry that consists of many components to make a functioning whole. The board of an aged care facility, as the approved-provider, has to juggle these multiple parts to ensure a successful strategy. Indeed Board members, management staff and care employees throughout an aged care facility who are engaging in entrepreneurial behaviour, are the very foundation for organisational entrepreneurship and innovation. Thus the “pivotal crucible for innovation” is the entrepreneurial activity of deploying new ideas, inventions or services within the resident facility and marketplace (Cutler, 2008).

However, innovation does not surface in an organisational or operational vacuum (Ireland, Kuratko, Morris, 2006a) (Cutler, 2008). Ireland and his colleagues define a Corporate Entrepreneurial Strategy (CES) “as a vision directed, organisation wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations by recognising and exploiting entrepreneurial opportunities that are oriented to innovation” (Ireland et al 2006a, p21). Indeed, for a corporate social organisation, it is argued that board members, management staff and care employees throughout the organisation who are engaging in entrepreneurial behaviour are the very foundation for organisational entrepreneurship and innovation (Spring & Gillin 2005), (Bartlett & Choshal, 1994), (O’Reilly & Tushman, 2004). Ireland et al (2006b) define this entrepreneurial behaviour as “a process through which individuals (all levels) in an established organisation pursue entrepreneurial activities to innovate without regard to the level and nature of currently available resources” (p10), (Zahra and Covin, 1995, Zahra, Nielsen, and Bogner, 1999). Innovation is commonly described as “creating value by doing things differently” or “creating value through doing something in a novel way”, or “good ideas put to work” (Cutler, 2008, p10) and where value is that perceived by the resident or in the bottom-line. It is the active appreciation of the dynamic processes associated with innovation that leads to change.
In consideration of aged care innovation, Reinhard, Young, Kane, and Quinn (2006) has identified the issue of nurse delegation of medication administration as an opportunity to identify new mechanisms within the organisation structure and culture highlighting the fundamental barrier to innovation as a lack of clarity in understanding statutory and regulatory scope of delegation (p78). A further example of the potential to impose severe limits on the board’s capacity to facilitate change is the significant level of industry and facility regulation and conforming to uniform quality requirements (Ozanne, 2007), (Cullen, 2007). In The USA, Guo (2003) has sought to apply an entrepreneurship understanding to assessment of innovation in Health Care Organisations and Managed programs and concluded that a link exists between effective health care and entrepreneurship (Moon 1999). A similar finding has been observed amongst the care of the elderly in Finland (Karttunen, 2000), (Drayton, 2002). These examples of government policy (national and state) provide impetus for aged care boards (approved providers) to take directions that may well result in the recognition described by Ireland, Kuraiko, & Morris (2006b p13) that “interactions among organisational characteristics, individual characteristics and some kind of precipitating event in the firm’s internal work environment and external work environment are the precursors of corporate entrepreneurship in organisations”. We label these conditions and events as ‘triggers’.

So, within a corporate social organisation it is likely that such ‘triggers’ could result from outside the organisation, such as rapid technological change within the industry and imposed changes in government policy, government regulation and law requirements that may tend to produce entrepreneurial projects that are more innovative or that represent major departures from the status quo (Ireland et al, 2006, Davis, 2002) and from inside the organisation through, management and resident recognition of opportunities. “The pursuit of innovation involves change processes within a societal or community context. It is about promoting purposeful and meaningful change inside a complex system”, (Cutler p13). In considering innovation priorities, Cutler (2008, p112) includes “the need for cost-effective solutions for an ageing population”.

Entrepreneurial opportunities (O’Connor & Rice, 2001) are situations in which new services can be delivered to satisfy the expectations of the stakeholders in aged care in a reliable and sustainable context. To be sustainable the impact value will exceed the cost of development, distribution and support and be valued by the aged care recipient. This context includes resident focused service, optimal outcomes, inclusivity of staff to achieve successful programs that are aligned to community and government expectations and standards. The decision making processes associated with developing these strategic entrepreneurial activities, as mentioned above, requires an examination of how Board/CEO/Director of Nursing (DON) members collect information and make decisions. In summary opportunity to research innovative behaviour within the organisation and the presence or otherwise of ‘innovation decision making’ within an organisation may lead to a new model for aged care service delivery. “Innovation is not the problem: it is the answer. Innovation is not the opportunity: it is the imaginative response to opportunities” (Cutler, 2008).

Whilst there has been a significant focus of attention on entrepreneurial behaviour, understanding how entrepreneurs make decisions in corporate settings has been less researched and therefore understood. Yet high quality human capital is critical to innovation (Cutler, 2008). Most scholars agree that what differentiates an entrepreneur from the rest is their behaviour. Nevertheless, attempting to differentiate the behaviour of an entrepreneur from others has thus far proved difficult (Keh, Foo et al 2002; Mitchell, Busenitz et al 2002; McGrath, MacMillan 2000). Also the concept of corporate entrepreneurship within traditional organisations (Hamel, 2006) has been poorly understood resulting in a lack of strategic innovation in board direction and policy formulation. Hence equipping our people with the skills to innovate is essential, not only the generation and application of new knowledge, but also to use and adapt the knowledge produced elsewhere (Cutler, 2008).

In consideration of governance, hospitals were the main health care service that had Boards of Management and were typically comprised of doctors, lawyers, accountants and more recently a trend towards inclusive memberships, with members of other professions (nursing, social work) and lay people (Griffith 1999). Boards of Management for Aged Care Services have again followed a traditional path of membership and governance and similarly the approved provider or board in the aged care industry has been slow to develop strategic innovations for effective programs at the delivery phase of aged-care service.

This paper assesses the findings of a study on aged care facilities to act entrepreneurially and support innovation that delivers resident valued services and meets policy guidelines aligned to community and government expectations and standards. These policy requirements by government form the environment for governance bodies in aged care organisations to practice corporate social
entrepreneurship and sustainable innovation. An important outcome in this paper is the development of reliable measures of innovation and entrepreneurial culture. “Many of the submissions to the Cutler Review (2008) that included data on innovation relied on traditional measures of R&D and intellectual property. Indicators are then developed from combining these partial, proxy measures, often using sophisticated econometrics. The somewhat mysterious assumption is that if you get the maths right, you will obtain something meaningful from raw data of limited relevance” (Dodgson, 2008). In consideration of the complex interaction of global issues that impact on the innovation initiatives of the Board, internal stakeholders and the regulated environment of the operation’s activities, any relevant measuring instrument must incorporate the relationship with external stakeholders such as government policy makers, regulators, professional practice requirements, programs and structures for delivering aged care services, and with internal stakeholders such as the Board, staff, and management if sustainable and efficient resident care and satisfaction is to be achieved.

This paper will focus on measuring the social entrepreneurial climate and social entrepreneurial intensity of the aged care facility. Using the Ireland et al (2006a) framework for Corporate Entrepreneurship, the “characteristics of an internal work environment that supports corporate entrepreneurship” (ibid, p 14) and the elements of structure, controls human resource management and culture, an adapted framework for Sustainable Social Entrepreneurship is shown in Fig. 1. These elements identify a perspective of “innately entrepreneurial employees and the provision of resources to them in the expectation that they will produce the innovations” (ibid p14). A second perspective involves top level management creating a work environment that is “highly conducive of entrepreneurship and entrepreneurial behaviour” (ibid p14).

![Figure 1 A Model for Sustainable Corporate Social Entrepreneurship](After Ireland, Kuratko and Morris, 2006b)

This study seeks to apply the above SSEE concept to a socially focussed corporate organisation assuming that the entrepreneurial principles should apply in meeting resident needs for aged care and to measure the level of innovation (incremental and radical) within the organisation that delivers social entrepreneurship outcomes..

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Ireland, Kuratko & Morris, 2006

<table>
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<tr>
<th>Structure</th>
<th>Controls</th>
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<tr>
<td>Horizontal over vertical</td>
<td>Control based on “no surprises”</td>
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<td>Few layers</td>
<td>Loose-tight control properties</td>
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<td>Broader spans of control</td>
<td>Resource slack</td>
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<tr>
<td>Decentralisation</td>
<td>Internal venture capital pool</td>
</tr>
<tr>
<td>Cross-functional processes</td>
<td>Emphasis on self control</td>
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<tr>
<td>Less formalisation</td>
<td>Empowerment &amp; discretion</td>
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<tr>
<td>Open communication flow</td>
<td>Mutual trust</td>
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<td>Sense of smallness</td>
<td>Open information sharing</td>
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<tr>
<th>Human Resource Management</th>
<th>Culture</th>
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<tr>
<td>Jobs that are broad in scope</td>
<td>Entrepreneurial learning</td>
</tr>
<tr>
<td>Multiple career paths</td>
<td>Balanced individual-collective emphasis</td>
</tr>
<tr>
<td>Extensive job socialisations</td>
<td>Emphasis on excellence</td>
</tr>
<tr>
<td>Individual &amp; group awards</td>
<td>Emotional commitment</td>
</tr>
<tr>
<td>High employee involvement in appraisals</td>
<td>Freedom to grow and to fail</td>
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<tr>
<td>-Longer-reward emphasis</td>
<td>-Emphasis on results over process</td>
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<td>-Appraisal &amp; reward criteria include innovativeness and risk taking</td>
<td>-Celebration of innovation</td>
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<td></td>
<td>-Healthy dissatisfaction and a sense of urgency</td>
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<td></td>
<td>-Focus on the future</td>
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<th>Recognising Strategic Triggers</th>
<th>Designing a CSE Strategy</th>
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<tr>
<td>Creating an Internal Environment to Support CSE</td>
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Entrepreneurial Performance + Innoativeness + Risk-taking + Proactiveness
METHODOLOGY
The case studies are sourced from five innovative Elderly Care hostels. In this research a purposeful approach was taken to selecting the Elderly Care hostels which could be identified as exhibiting characteristics appropriate to the research question. Such characteristics were: a professional board as the approved provider; an understanding of corporate social entrepreneurship; well structured relations between Board/CEO/staff; specific innovation initiatives at all levels; and a commitment to assess resident satisfaction.

The research seeks to assess the Board’s capacity (unit of analysis) to create an internal environment (independent variable) that supports sustainable social entrepreneurship. A Social Entrepreneurship Climate Indicator (SECI) is used to assess the innovation climate of the Elderly Care environment: four central components (dependent variables) - structure, controls, human resource management and culture are evaluated using the adapted Social Entrepreneurship Climate Instrument’ (SECI). Some questions were modified to reflect the social dimension in an aged care facility without changing the focus of the survey instrument. In addition a second instrument (Ireland et al, 2006b) was used to assess the Entrepreneurial Intensity (EI) within the organisation. This instrument seeks to measure innovativeness (creative, unusual or novel solutions), risk-taking (committing significant resources to opportunities) and proactiveness (anticipating and acting in light of recognised opportunities). In addition, the Board chair/member, CEO and DON (Director of Nursing Operations) were interviewed to assess the perceptions and reality of the leader’s commitment to entrepreneurship and innovation.

RESULTS AND IMPLICATIONS
An analysis is presented that explores Elderly Care hostels based on intended mission and intended impact to illustrate entrepreneurial and innovative hostels as sustainable social and economic ventures with a strong resident value focus. The data identifies three entrepreneurial measures associated with socially sustainable elderly care in Australia: 1) Innovativeness (creative, unusual or novel solutions); 2) Risk taking (committing significant resources to opportunities), and 3) Proactiveness (anticipating and acting in light of recognised opportunities).

Intensity of sustained innovation:
In assessing the Entrepreneurial Intensity (EI) of the five Aged Care Facilities two screens were found to be appropriate to a social enterprise focused on services rather than product supply. The two screens - company characteristics (mean values) (Figure 2); and level of decision making (mean) (Figure 3), identify the degree of entrepreneurship and compare the perspectives of different leaders/managers surveyed. This analysis provides an index by which the facility can benchmark itself with other providers of aged care. If collected annually the data can be used to assess progress in achieving innovative performance and, if measured in different parts of the organisation, provide a basis for staff development. Consideration of Figure 2 shows a strong correlation between all respondents in: high rate of service introductions; emphasis on continuous improvement; and between Board and CEO seeking unusual solutions; and a philosophy to emphasise proven services. In terms of top level decision making (Figure 3) the Board and CEO are in strong agreement in regards to: search for big opportunities; and growth being a predominant role; a medium agreement in bold decisions despite uncertainties but with a strong disagreement on bold decisions from the DON. All agree steady growth and stability are primary concerns.
6. a top management philosophy that emphasises proven services, and the avoidance of heavy new service development costs

5. seeking of unusual, novel solutions by senior executives to problems via the use of "idea people", brainstorming, etc.

4. a "live and let live" philosophy in dealing with competitors

3. risk-taking by key executives in seizing and exploring growth opportunities

2. an emphasis on continuous improvement in methods of service delivery

1. a high rate of new service introductions, compared to our competitors (including new features and improvements)

Figure 2 SEI Innovation Characteristics for the Organisations

7. cautious, pragmatic, step-at-a-time adjustments to problems

8. active search for big opportunities

9. growth as the dominant goal

10. large, bold decisions despite uncertainties of the outcomes.

11. compromises among the conflicting demands of owners, government, management, customers, employees, suppliers, etc.

12. steady growth and stability as primary concerns

Figure 3 SEI Decision Making Characteristics for Top-Level Managers
Opportunity culture and social entrepreneurship:

Content analysis (Figure 4) of the semi-structured interviews reveals a number of entrepreneurial environment factors that are associated with the culture, strategy and performance in the delivery of resident focused services within the aged care facilities.

Figure 4  Environmental Factors as a Function of Board/CEO/DON Interviews by Content Analysis

Of particular note, along with the intensity factors of Figures 2 and 3, is the strong commitment to a change culture, and opportunity focus (Board/CEO) and all three with a strong resident and community focus. Of particular note is an absence of comments on failure tolerance and low levels of comments on innovative rewards, team culture and leadership amongst care staff. All indicated significant support on the availability of innovative resources and relevant training.

Data from the Social Climate Entrepreneurship Indicator (SCEI) provides an insight into how the respondents perceive their workplace and organisation and how the aged care facility has developed to achieve the current level of entrepreneurial intensity. Importantly, the SCEI is used to access, evaluate and manage the organisation’s internal work environment in ways that support entrepreneurial behaviour and the use of a corporate entrepreneurial strategy. As discussed above the internal environment that supports corporate social entrepreneurship is characterised by the organisation structure, controls, human resource management systems and culture. The SCEI is constructed around scales to measure: management support for corporate entrepreneurship; work discretion; rewards/reinforcement; time availability; organisation boundaries; and specific climate variables. Figure 5 shows the SCEI profile for the aged care organisations (means) in terms of the first five measures and as a function of the innovation perceptions of each leader/manager with a maximum scale of five. The profiles for the CEO and DON are very similar except for the measure of time availability where the DON perceives minimum time availability for individuals and groups to create and pursue innovation at the frontline service needs. Interestingly the Board reviewer agreed with the CEO on the value of the measures associated with perceptions of management support for innovation, but had difficulty rating the questions for the other four measures.

Figure 5  SCEI Innovation Profiles for Aged Care Organisation

Governance and social entrepreneurship:
Using the specific climate variables (Figure 6) chosen by the CEO as either strongly agreed with, or strongly disagreed with, a comparison is made of the same variables as rated (mean) by the Board and the DON. Significantly the Board member and the DON closely align with the CEO perspectives of the organisation as: rewarding employees who innovate; developing creative potential in employees; and a culture of rewarding the tried and true. However, the DON disagrees with the CEO and Board member that: employees have a lot to say on how things are done; that innovation is celebrated; innovation and risk-taking are core values; and a free exchange on improving the organisation operations.

<table>
<thead>
<tr>
<th>As selected by CEO</th>
<th>Strongly Agree</th>
<th>Strongly Disagree</th>
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<tbody>
<tr>
<td>This organisation definitely rewards employees who take calculated risks and innovate.</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>This organisation tries hard to develop the creative potential of employees.</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>In this organisation, employees have a lot of say in how things are done.</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Ours is a culture that rewards the tried and the true.</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>This is an organization that celebrates innovative achievements</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Innovation and risk-taking are core values in this organisation</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>The organisation's environment encourages people to talk openly with others about ways to improve the firm's operations</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>We have too many levels of management in this organisation.</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>A rigid chain of command limits our ability to experiment with new ideas</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Once budgets are finalized and accepted, they are difficult to revise</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>We have a culture that strongly discourages failure.</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>This organisation subscribes to the motto &quot;if it ain’t broke, don’t fix it&quot;.</td>
<td>5</td>
<td>1</td>
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Fig. 6 Specific Climate (Culture) Variables and Governance Issues

Considering the overall SEI and SCEI measures in terms of the Board, CEO and DON, we find that four out of five boards exhibit strong strategic leadership to create an internal environment or culture for sustainable innovation. All five hostels demonstrate a commitment by the CEO and DON to put in place structures, controls, HRM and culture to support the practice of opportunity identification and evaluation. Three of the hostels studied exhibited this commitment in mainly economic benefits, whilst two hostels expressed the importance of opportunities focused on both economic and resident values as socially sustainable. The importance to the Elderly Care organisation of completing the innovation health audit is in providing feedback that will allow the Board, management and care staff to understand the relevance of innovation intensity to the provision of resident valued services.

**DISCUSSION**

Application of the SEI measures demonstrated conclusively that the instrument does discriminate effectively the different perspectives amongst the leaders/managers within this pilot study of an innovative aged care facility. In particular the results of Figures 2 & 3 show a general alignment between Board member and CEO but not with DON. Within an organization such a result is not surprising, but the fact that these differences can be measured distinctly and reliably suggests the SEI instrument is a robust measure.

Indeed the findings of the specific climate variables (Fig 6) confirm the power of the SCEI and SEI to discriminate between various perspectives even though the respondees appear to report differing weightings eg. in item 3 (Fig. 2) with risk taking as shown in Fig.6.
The content analysis of the structured interviews (Fig 4) confirms that each of the participants reflects differing perspectives but all identified and understood the basic elements characterizing an innovative organization. Indeed the 14 factors identified as major nodes in the content analysis will be used as the elements to build appropriate training programs to reinforce innovative behaviour.

Reference to Fig 5 shows all participants both identify innovative behaviour and rank the entrepreneurial climate as high for management support, work discretion and reward reinforcement but see both time availability and organization boundaries as relatively low. These results agree well with both the specific climate variables (Fig 6) and structured interview data (Fig 4) and overall point to the value of the SCEI as an indicator of where training is necessary to bring the entrepreneurial climate to a satisfactory level. For this organization training programs will be useful for staff associated with issues around time availability to practice innovation and in areas of organization culture and structure.

Interestingly those hostels, with an expressed commitment to consider resident focused values, appear to be more economically viable. This is an important result for government regulators and policy formation. In measuring innovation intensity it is noted that the Elderly Care organisation performance is low relevant to other industries such as telecommunications and nearer that of the consumer food industry. This difference may be associated with the degree of compliance existing in highly regulated industries. In addition the assessment of the innovation climate enables the organisation to assess, evaluate and manage the internal work environment in ways that support innovative behaviour and the use of socially sustainable entrepreneurship. Fig. 7 provides a stage model concept of the progress from a purely maintenance approach to aged care, through a process of compliance and efficiency to a sustained innovation commitment to achieving a strategic value of resident focused care. Such findings enable an Elderly Care organisation to develop appropriate training interventions that raise the culture and intensity of innovation that meets the need for improved resident valued care.
Fig. 7 A Stage Model for Sustained Innovation in Aged Care Facilities
CONCLUSIONS

Analysis indicates that the health audit as adapted from the Ireland et al 2006 instruments are relevant instruments to assess the propensity for corporate social entrepreneurship and innovation within aged care organisations. It is likely that organisation performance is enhanced when a facility’s entrepreneurial intensity exceeds the industry average.

The importance to the aged care facility completing the entrepreneurial health audit is in providing measurement and feedback that will allow the board, management, and care staff to understand the relevance of entrepreneurial intensity to the provision of resident valued innovation services. In particular such measurements identify innovation weaknesses and point to the need for specific training in innovation related skills.

In addition the assessment of the entrepreneurial climate or culture enables the organisation to assess, evaluate and manage the internal work environment in ways that support entrepreneurial behaviour and the use of a corporate social entrepreneurship strategy.

REFERENCES

