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**SPECIFIC INVESTMENTS UNDER PUBLIC SECTOR
LOGICS: INSIGHTS ON INNOVATION BARRICADES IN
GERMAN HEALTH CARE**

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ABSTRACT

While health care innovations are typically portrayed as technical or biomedical innovations, we suggest that new organizational forms constitute important instances of health care innovations, too. We base this claim by our observation of novel organizational forms in German health care where integrated care was first legalized in 2000 and established the legal possibility for actors from inside and outside the health care sector to systematically form inter-organizational networks. The idea was to exploit the potentials of networks to reduce costs and increase medical quality in order to get a grip on the ever rising problems in health care delivery. This initiative strengthened the role of market elements for publicly administered health care in Germany and emanated from the legislator through a four year initial funding concept. Thirteen years later, however, we face that integrated care has only narrowly diffused. Moreover, it did not meet the expectations of the legislator by far, as German field experts and the major public think tank “Sachverständigenrat zur Begutachtung der Entwicklung im Gesundheitswesen” (SVR) recently acknowledged (Amelung 2011; SVR 2012).

We contribute to research on health care innovation by exploring the non-spread of new organizational forms in German health care. Although we carried out our study in Germany, the findings may generalize to other health care sectors where state and professional regulations are strong, yet, changing toward integrating more market elements. Changes of this type are crucial for health care innovation because they shift roles, resource-flows and regulative resources that provide the material and symbolic underpinnings of health care fields. Given that such structures may have become institutionalized over centuries, innovations need to be embedded into structures that, despite their change, conserve the tradition of these fields to considerable degrees. Thus, changes in these structures are usually incremental and, from the perspective of single actors, highly uncertain. We argue that, cumulatively, these aspects influence the (non-)spread of new organizational forms since material and symbolic considerations counter-force their widespread diffusion. This is an interesting observation since it runs counter to several studies on the diffusion of market logics into health care. For instance, several studies show how integrated care diffused in the U.S. (Scott 2004; Scott et al. 2000) or how market-forces were introduced into health care and gained dominance over the professions (Reay & Hinings 2005; 2009). In turn, we continue telling the diffusion story but highlight that market mechanisms can also be marginalized if they are only weakly anchored in settings that are otherwise dominated by the state and the professions. Specifically,

we claim that integrated care networks are good examples for new organizational forms and a very good instance of health care innovations (Greenhalgh et al. 2004). Integrated care networks presume that different actors form inside and outside the health care sector cooperate. Thus, studying them enables us to turn to a) multiple levels of analysis to explain their non-spread and b) the diverse backgrounds that may collide once health care innovations unfold. We uncover different reasons for the non-spread of new organizational forms, which we summarize under the umbrella term “innovation barricades”.

The theoretical crux, however, seems to be that we are equipped with a toolkit of different theories that, each on their own, illuminate several aspects of health care innovation. Yet, few provide a comprehensive explanation of relevant sub-processes of the innovation process. For instance, institutional theory is fairly strong in explaining the inertia of cultures and norms that may surround the implementation of innovations (DiMaggio & Powell 1983; 1991; Scott 2008). However, it is somewhat silent about the micro-dynamics of innovation. Resource-based and competence-based theories of the firm, in turn, are fairly powerful in explaining these micro-dynamics (Barney 1991; Conner 1991; Wernerfelt 1984; Teece et al. 1997; Grant 1996; Kogut & Zander 1992; Wang et al. 2009; Eisenhardt & Santos 2002; Prahalad & Hamel 1990; Sanchez & Heene 1997; Freiling et al. 2008; Freiling, Gersch, Goeke et al. 2008). Especially with regard to the economic factors, which promote or inhibit innovation on the firm-level. However, these theories often spare out the institutional environment, which embeds such processes. We treat both theories as separate schools of thought and highlight which aspects of the (non-) diffusion of integrated care networks in Germany they may explain and how. To strengthen this point, we apply the theories to a mixed-method dataset from an empirical multi-level study in the German health care sector. We draw conclusions about the institutional environment from data of a qualitative longitudinal expert panel and a quantitative expert questionnaire. Then we add a qualitative double-case study to understand how these structures interact with firm and network levels of analysis.

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