

**Construction of Hospital Organizational Culture after
Transformation of Public Hospitals
——The Case of R Hospital**

Rong Zhenxiang

Thesis submitted as partial requirement for the conferral of
Doctor of Management

Supervisor:

Prof. Nelson Ant nio, Full Professor, ISCTE University Institute of Lisbon

Co-supervisor:

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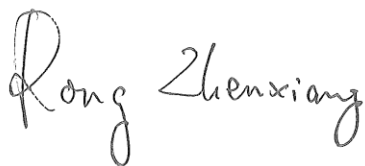
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September, 2014

Declaration

I declare that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university and that to the best of my knowledge it does not contain any material previously published or written by another person except where due reference is made in the text.

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作者申明

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Abstract

In order to compete and develop, an organization needs to carry out innovation and transformation. Hospital transformation is a form of organizational change. A hospital, after transformation, will be confronted with fundamental changes in the internal and external environments, which will lead to quite a few problems and conflicts that will stand in the way of the hospital's survival and development. Among them, the inevitable underlying management problem is organizational culture integration.

This research aims to explore the impacts and significance of organizational culture integration and construction on the survival and development of Chinese public hospitals after transformation by using the transformation of a Chinese public hospital with 56 years of history as a case study.

This research is divided into two parts: The first part introduces hospital transformation process as well as characteristics and problems of organizational culture at the initial stage after transformation; the second part deals with the process of cultural integration and reconstruction of the transformed hospital as well as characteristics of the new organizational culture formed after eight years since transformation.

Major conclusions of this research:

1. Hospital transformation process and characteristics of organizational culture at the initial stage after transformation: Transformation of R Hospital is a mandatory requirement of the government. After transformation, the share of this hospital is controlled by a diversified G Group. The scope of transformation covers two aspects, namely, ownership transfer and staffing. Transformation of R Hospital was conducted after the original hospital had been in operation for 48 years. Most of the employees in the hospital were permanent employees in previous public institutions of the state. At the initial stage after transformation, the organizational culture of R Hospital was characterized by looseness, lack of cohesion and psychological contract crisis, which resulted in instability, difficulty of management and tendency towards getting out of

control for the hospital. Major problems that existed after transformation of R Hospital include unclear understanding of the hospital's development vision and lack of consensus on the strategic objective. The latter is mainly reflected in the staff's unstable mindsets and concern over their career prospect and retirement protection, decreased hospital cohesion and poor implementation of systems.

2. The process of cultural integration and reconstruction of R Hospital: After transformation, R Hospital carried out cultural integration and reconstruction from four aspects, namely, cultural slogans, cultural etiquette, cultural activities and classic stories. In this way, a "UFO-model" organizational culture was gradually set up. By gaining strategic macro control and coordinating organizational culture over the past eight years, R Hospital has made significant progress in medical treatment, teaching and scientific research, the scale of the hospital has substantially expanded, the hospital overall strength has significantly increased, and medical service radius and influence have substantially grown. According to this case study, at the initial stage after hospital transformation, people are unwilling to accept or even resist against the transformation, have negative comments on the transformation and passively wait for change. With the success of the transformation, people begin to gradually accept, make adaptations, support, embrace and actively participate in the transformation.

Key Words: Hospital transformation, cultural integration, organizational culture model, case study

Resumo

Para competir e desenvolverem-se as organizações necessitam de inovar e transformar-se. Nesta tese, consideramos a transformação dos hospitais como uma forma de mudança organizacional. Após a transformação, os hospitais confrontam-se com mudanças fundamentais, quer no meio envolvente quer internamente, o que levava a alguns problemas e conflitos, que podem criar obstáculos ao desenvolvimento e sobrevivência dos mesmos. Um dos problemas é a integração da cultura organizacional.

Esta tese explora os impactos e significância da integração cultural na sobrevivência e desenvolvimento de Hospitais públicos Chineses após a transformação. Esta tese analisa a transformação de um Hospital público Chinês com 56 anos de história.

A tese divide-se em duas partes: Primeiro, analisamos o processo de transformação do hospital assim como as características e problemas da cultura organizacional após a transformação; segundo, o processo de cultura organizacional e a reconstrução do hospital assim como as características da nova cultura organizacional são analisadas.

As principais conclusões desta pesquisa são as seguintes:

1. O processo de transformação e as características da cultura organizacional no estado inicial após a transformação: A transformação do Hospital R foi uma imposição do governo. Após a transformação o capital do Hospital R passou a ser controlado pelo Grupo G (um grupo privado e muito diversificado). A transformação cobriu dois aspectos, transferência de propriedade e recursos humanos. A transformação aconteceu após 48 anos de actividade do Hospital R. A maioria do pessoal tinha um vínculo permanente a instituições públicas. Após a transformação, as características principais da cultura organizacional do Hospital R eram a falta de coesão e uma crise do contrato psicológico, o que provocava a instabilidade, dificuldade em gerir e uma tendência para estarem fora de controlo. Os problemas principais após a transformação incluem a pouca clareza na compreensão da visão do

hospital e uma fala de consenso sobre os objectivos estratégicos.

2. O processo de integração e reconstrução cultural do Hospital R: após a transformação, a integração e a reconstrução cultural do Hospital R realizou-se através de: slogans culturais, etiqueta cultural, actividades culturais e histórias clássicas, deste modo, construindo gradualmente, um modelo “UFO” de cultura organizacional. O controlo estratégico sobre algumas variáveis macro e a reorganização da cultura organizacional, conseguidos ao longo dos últimos 8 anos, permitiram ao hospital R progressos significantes no tratamento médico, no ensino e na pesquisa científica e aumentar a sua influência na zona onde se localiza. De acordo com o caso que estudamos, no início da transformação as pessoas resistem e fazem comentários negativos. Quando a transformação começa a ter resultados positivos, as pessoas começam gradualmente a aceitar a transformação, adaptam-se, e apoiam a transformação.

Palavras Chave: Transformação Hospitalar, Integração cultural, Cultura organizacional, China

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In 2010, I became the president of a joint-stock general hospital from a clinical surgeon. In the field of clinical medicine, I have never stopped learning and growing, which enables me to ultimately obtain the doctoral degree in Medicine and finally become a professor, chief physician, master supervisor, director of the Department of General Surgery and director of the Department of Minimally Invasive Surgery.

After I took the important management position as the hospital president, I became keenly aware that I was in lack of theoretical knowledge in Management. Between 2011 and 2014, I had the honor to study in the Doctor of Management in Healthcare Program jointly held by Southern Medical University and ISCTE Lisbon University Institute. During my three years of study from Clinical Medicine to Hospital Management, from micro aspects to macro aspects, from practice to theory and then further development in theory, I have made constant progress in theory, practice and ways of thinking in brand new fields and reaped the fruits of constantly scaling new heights.

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List of Acronyms

GD: *GD*, the name of a province of China, 广东省

GZ: *Guangzhou*, the name of a city of China, 广州市

FS: *Foshan*, the name of a city of China, 佛山市

SD: *SD*, the name of a city of China, 顺德区

Chapter 1: Introduction

1.1 Research Background

After nearly 30 years of practice since 1985, China's medical system has gradually embarked on a path that suits China's national conditions. As the focus of the medical system reform, the public hospitals that have been transformed into private hospitals, are confronted with problems of the same nature in transformation.

1.1.1 Evolutionary Process of China's Medical System Reform

The medical and health system reform, which is a cause of great concern to tens of millions of Chinese people, affects the landscape of China's socialist reform as a major strategic choice of the Communist Party of China and the Central Government for making the country strong and people rich. After medical institutions were categorized as for-profit and not-for-profit ones and managed accordingly, reform of public hospital management system was soon put on the agenda of the medical reform. Hospital reform is a systematic project. In order to guide the reform of public hospitals, which play a dominant role in China's medical market, the overall objective model of the reform must be properly designed to avoid detours and ensure the healthy and sustainable development of medical and healthcare undertakings.

China's medical system reform, which started in 1985, has come a long way after more than 20 years of exploration and practice. Some public hospitals, which have been transformed into private ones, are an important part of China's medical system reform. Reform of China's medical and health care system has always been proceeding on the heels of the economic system reform. As an important part of social policies, reform of the medical and health care system lags significantly behind the economic system reform. In order to cater to the needs of economic development, social progress and improvement of health for all citizens, China has been making continuous efforts in exploring new development paths for the medical system and carried out a series of reforms successively (Lu, 2012).

In 1985, the State Council approved and endorsed the Report on Some Policy Issues Concerning the Health Reform (Ministry of Health, 1985), in which it was put forward that: Measures must be taken to carry out reform, implement policies more flexibly, streamline administration and delegate power to the lower levels, finance through multiple channels and explore more ways so as to develop health services.

In 1988, the State Council published the “Three Determinations” program put forward by the Ministry of Health, which provided the basic functions of the Ministry of Health and set forth that the Ministry of Health shall manage the enterprises and public institutions directly under it in an indirect instead of direct manner as it previously did.

In 1989, the State Council approved and endorsed the Opinions on Issues of Expanding Medical and Health Services (State Council, 1989) proposed by ministries including the Ministry of Health, in which it was put forward that: Measures should be taken to actively implement contract responsibility system in various forms, carry out paid services in spare time, further adjust the fee standards of medical and health services and carry out paid services in disease prevention and healthcare units. Income from sideline and small industrial enterprises is to be used to subsidize the development of medical and health services in public health institutions. Three year duty-free policy is to be given to enterprises in the health industry to facilitate its development. The Ministry of Health officially promulgated and implemented the notice on and measures of hospital classification management.

In 1990, the Ministry of Health set up a drafting group for the Outline for China's Health Development and Reform: 1991-2000 (Ministry of Health, 1990). Twelve drafts had been formulated before the Outline was finalized. Opinions had been solicited continuously among the public and extensive discussions had been carried out. The process bears important significance for deepening various departments' understanding of the medical reform.

In 1991, the Guidelines for Health Services in the New Period was put forward in the Seventh National People's Congress: Regard prevention as a priority; rely on technological progress; mobilize all people to participate in developing health services;

place equal emphasis on Western medicine and traditional Chinese medicine; strive to ensure health of the people; and shift the focus of medical and health work to the countryside.

In 1992, the State Council issued the Opinions on Deepening the Health Care System Reform (Ministry of Health, 1992). The Ministry of Health implemented the spirit of relying on the state for development and on oneself for source of livelihood as outlined in the document. During the work conferences of the Ministry of Health, hospitals were required to make new achievements in aspects such as subsidizing the development of medical and health services with income from sideline and small industrial enterprises. This health policy enabled hospitals to generate revenues to make up for the lack of income. Besides, it also stood in the way of the realization of commonweal of medical institutions, resulting in the difficulty of getting medical treatment and complaints from the public.

In 1997, the CPC Central Committee and the State Council jointly issued the “Decisions on Health Reform and Development”, explicitly specifying the objective and guiding principles of health services. The general requirements for pushing forward health reform were put forward, which mainly included reform of the medical insurance system for urban workers, reform of the health management system, active development of community health services and reform of the operating mechanisms of health institutions in the medical field.

From 2000 to 2004, a number of reform measures were introduced, including the “Opinions on the Implementation of Classification Management of Urban Medical Institutions” (State Council General Office, 2000), the “Opinions on Policies to Subsidize Health Services” (Ministry of Finance, 2000), and the “Interim Measures for Separate Administration of Hospital Drug Revenue and Expenditure” (Ministry of Health, 2000). Especially after the outbreak of SARS, debates over market leadership and government leadership gradually grown intense. Hospital ownership reform became the clearest thread of medical reform in this period.

On July 29, 2005, the latest medical reform research report under the charge of the Development Research Center of the State Council was published in *China Youth*

Daily (Wang, 2005). Through a summary and reflection of medical reforms over the years, the report concluded that: Reform of the medical and health care systems in China at present is unsuccessful.

In 2007, the institutional framework of the medical and health system with Chinese characteristics was thoroughly put forward for the first time in the “Report of the 17th CPC National Congress”. The institutional framework is composed of four important systems, namely, public health service system, medical service system, medical insurance system and drug supply assurance system. It is a comprehensive summary of the compositions of medical and health system in the new period.

In 2009, the new medical reform was launched. Documents such as the “Opinions of the CPC Central Committee and the State Council on Deepening the Health Care System Reform” (CPC Central Committee, 2009) and the “Notice of the State Council on Issuing the Plan on Recent Priorities in Carrying out the Reform of Health Care System” (2009-2011) (State Council, 2009) were successively released, giving continuous focus to guaranteeing that basic needs are met, grassroots institutions are developed, and new mechanisms for medical and health care are established so as to push forward the five key reforms of the medical and health system reform in a comprehensive and coordinated manner. Measures are to be taken to ensure that the medical insurance system covers urban and rural residents and the level of insurance is significantly raised; the system of using basic medicines covers all grassroots areas, comprehensive reform is carried out in all grassroots medical and health institutions and the new operating mechanism is basically set up; grassroots medical and health service systems are fully established and the service capacity is significantly enhanced; basic public health services and major public health service projects are effectively provided and equalization of public services is improved; and pilot reforms of public hospital continue to be carried out with greater depth, tangible results are achieved in reform of systems and mechanisms and measures bringing people convenience and benefits are implemented nationwide.

In February, 2010, the Ministry of Health, the State Commission Office for Public Sector Reform, the National Development and Reform Commission, the

Ministry of Finance and the Ministry of Human Resources and Social Security jointly issued the Guiding Opinions on Pilot Reform of Public Hospital (Ministry of Health, 2010). The overall objectives are: Establish a public hospital service system with proper layout; explore and set up a mechanism of coordination and distribution of responsibilities with grassroots medical and health service systems; accelerate the formation of a pattern in which hospitals are established and run in diversified forms; set up scientific and regulated public hospital management system, compensation mechanism, operating mechanism and regulatory mechanism; strengthen internal management of public hospitals and propel public hospitals to fulfill their functions of providing public services so as to provide safe, effective, convenient and affordable medical and health services for people.

In March, 2012, the General Office of the State Council printed and distributed the Program and Implementation Plans for Deepening the Health Care System Reform in the “Twelfth Five-Year-Plan” Period (State Council, 2012) (hereinafter referred to as the Program). The Program provides that great efforts should be made to develop non-public medical institutions, encourage non-governmental institutions and individuals and foreign investors to establish medical institutions, and encourage qualified people (including people from Hong Kong, Macau and Taiwan) to run private clinics in accordance with the law. The medical reform in the Twelfth Five-Year-Plan” period should make major breakthroughs in three aspects, namely, improvement of the national medical insurance system, consolidation and optimization of the system of using basic medicines and implementation of new mechanisms in grassroots medical and health institutions, and active facilitation of public hospital reform.

1.1.2 Problems Confronting Public Hospitals After Transformation

Since public hospitals in China are large in number and big in proportion, the government finance can barely support their development. And it is also not conducive to the formation of a pattern in which hospitals are established and run in diversified forms and orderly competition. However, public hospital transformation is

a major reform that involves a wide range of aspects and complicated details. Besides, non-standard practices have also occurred in past transformations. For example, some regions abuse transformation or the problems that are to be solved through transformation are not intrinsically connected; the forms of some transformations are not in compliance with regulations of relevant laws and policies (a case in point is equity participation or shareholding by the government in establishing and running for-profit hospitals); process of some transformations lacks standard regulation, transparency, fairness and equity; and some transformations even result in loss of state assets and absence of full protection of employees' legitimate rights and interests. Therefore, public hospital transformation must be carried out in accordance with regional health planning and in an active, prudent, standardized and orderly fashion. During China's transformation from the planned economy into the market economy, hospital transformation and clear definition of ownership structure will inevitably fuel hospital development. As China's health services gradually become goal-oriented and industrialized, not only should ownership reform be carried out in medical institutions such as hospitals, but priority should also be given to human capital property rights of doctors (Li, 2010).

Due to institutional transformation after public hospitals were transformed into private hospitals, such phenomena have occurred where staff have an unstable state of mind and are difficult to communicate with and poor in executive force. This is mainly reflected in staff's fluctuating state of mind and concern over career prospect and retirement protection. Problems exist in the communication between different departments as they have no connection in work and there is no channel and platform for sound communication between departments; communication between superiors and subordinates is even worse with no regular mechanism and no official communication channel between the board of directors and hospital employees. Although there are comprehensive and detailed regulations in the hospital, many of them have not been thoroughly implemented.

1.1.3 Significance of Cultural Integration After Hospital Transformation

Transformation of a hospital usually refers to the transformational and revolutionary makeover of the hospital's core parts. Ownership reform, which covers a large scale, has changed an organization's essence in a fundamental way (Yang, 2011). Therefore, hospital transformation will cause the original hospital to go through fundamental changes in a short span of time. In the transformation of China's public hospitals, factors such as strategy, organization, human resource and organizational culture integration are all critical in the process of post-transformation integration. With continuous increase of hospitals transformed in various forms and the actual problems they have encountered, people have realized that hospitals transformed in various forms are all bound to encounter the important issue of organizational culture integration, and the success of organizational culture integration is key to the success of hospital transformation. Hospitals, after transformation, are confronted with various fundamental changes in the environment. Changes in organizational culture, in particular, will directly affect the process of hospital transformation and the survival and development of the transformed hospital.

Hospital transformation will inevitably bring about impacts to the culture of the original hospital before transformation. Whether a modernized new organizational culture recognized by all and suitable for development of the transformed hospital can be successfully fostered will directly affect the process and result of hospital transformation. The better the new organizational culture suits the development of the transformed hospital and the closer to modern concepts the new organizational culture is, the more rapid, smooth and stable the process of hospital transformation will be, the better the hospital transformation results will turn out, the shorter the time for achieving success of hospitals transformation is needed and the greater the competitiveness of the transformed hospital will be. On the contrary, the process of hospital transformation will be slower, less smooth and more disoriented, the time needed for achieving transformation success will be longer and the competitiveness will be weaker. Apart from this, success of hospital transformation can also help

further consolidate the newly formed organizational culture and push it towards maturity. Thus, it can be seen that organizational culture bears important implications for hospital transformation process and results.

1.2 Research Questions and Objectives

The present thesis chooses transformation of a public hospital in China for case study. By studying the characteristics of the transformation, the problems it encountered during the process and influences of cultural integration, analysis of the relationship between hospital transformation and culture is made.

1.2.1 Research Objectives

By way of case study on the transformation of a Chinese public hospital with 56 years of history, the present thesis aims to: explore the process of public hospital transformation in China and the major problems in the transformation process, analyze characteristics of organizational culture at the initial stage after transformation, discuss the process and model of organizational culture integration and reconstruction after hospital transformation and characteristics of the new organizational culture, and analyze the relationship between hospital transformation and organizational culture.

1.2.2 Research Questions and Content

This research is to use case study method to observe and analyze the process of transformation of a Chinese public hospital, characteristics of its organizational culture at the initial stage after transformation and organizational culture integration and reconstruction after hospital transformation from two aspects. The present thesis also discusses and analyzes the characteristics, difficulties, problems and limitations of the case study in light of the present research.

1.2.3 Hospital Transformation Process and Characteristics of Organizational Culture at the Initial Stage After Transformation

The first part mainly describes the background of the case, such as the general situation of the transformed hospital and the environment the transformed hospital is in, and observes and analyzes the reasons for as well as the content and results of, hospital transformation. It provides descriptions of the characteristics of the organizational culture at the initial stage after transformation, characteristics of staff's group behavior and major problems confronting the transformed hospital. In light of the objectives of the research, the first part also discusses and analyzes characteristics of organizational change embodied in the transformed hospital and characteristics of transformation of Chinese hospitals reflected in this case study.

1.2.4 Organizational Culture Integration and Reconstruction After Hospital Transformation

The second part mainly observes and analyzes the process and model of organizational culture integration and reconstruction after hospital transformation as well as characteristics of organizational culture after eight years since hospital transformation. In light of the objectives of the research, the second part also discusses and analyzes cultural differences that exist in the transformed hospital at the initial stage after transformation, process and model of cultural integration of the transformed hospital, role and style of leadership in cultural integration of the transformed hospital, and the relationship between hospital transformation and organizational culture.

1.3 Research Methods

This research is based on case study method. Case study is a research method that uses a separate frame and is focused on studying the dynamic current situation. Through case study, the research objectives of providing descriptions, verifying theories or establishing theories can be achieved. In the beginning, document

investigation is conducted to find out relevant basic concepts of hospital organizational culture. The organizational culture model put forward by Quinn (1983) is used as the theoretical basis. Then questionnaire survey and interviews are carried out to collect data for analysis. Based on this, a general diagnostic report on organizational culture unique to transformed public hospitals and employees' satisfaction degree with R Hospital as the case is formed, putting forward hospital cultural programs and formulating tentative hospital cultural promotion programs. In this way, references and suggestions for construction of hospital organizational culture as well as enhancement of hospital innovation capacity, core competitiveness and sustainable development capacity for post-transformation public hospitals are provided.

1.4 Structure of the Thesis

The present thesis consists of six chapters. The structure of this thesis is shown in Figure 1-1(in next page): introduction, literature review and theoretical analysis, comparison of institutional background with international study, research findings, analysis and discussions (divided into two parts), conclusions (including conclusions of the whole thesis, contributions, limitations and suggestions for future research).

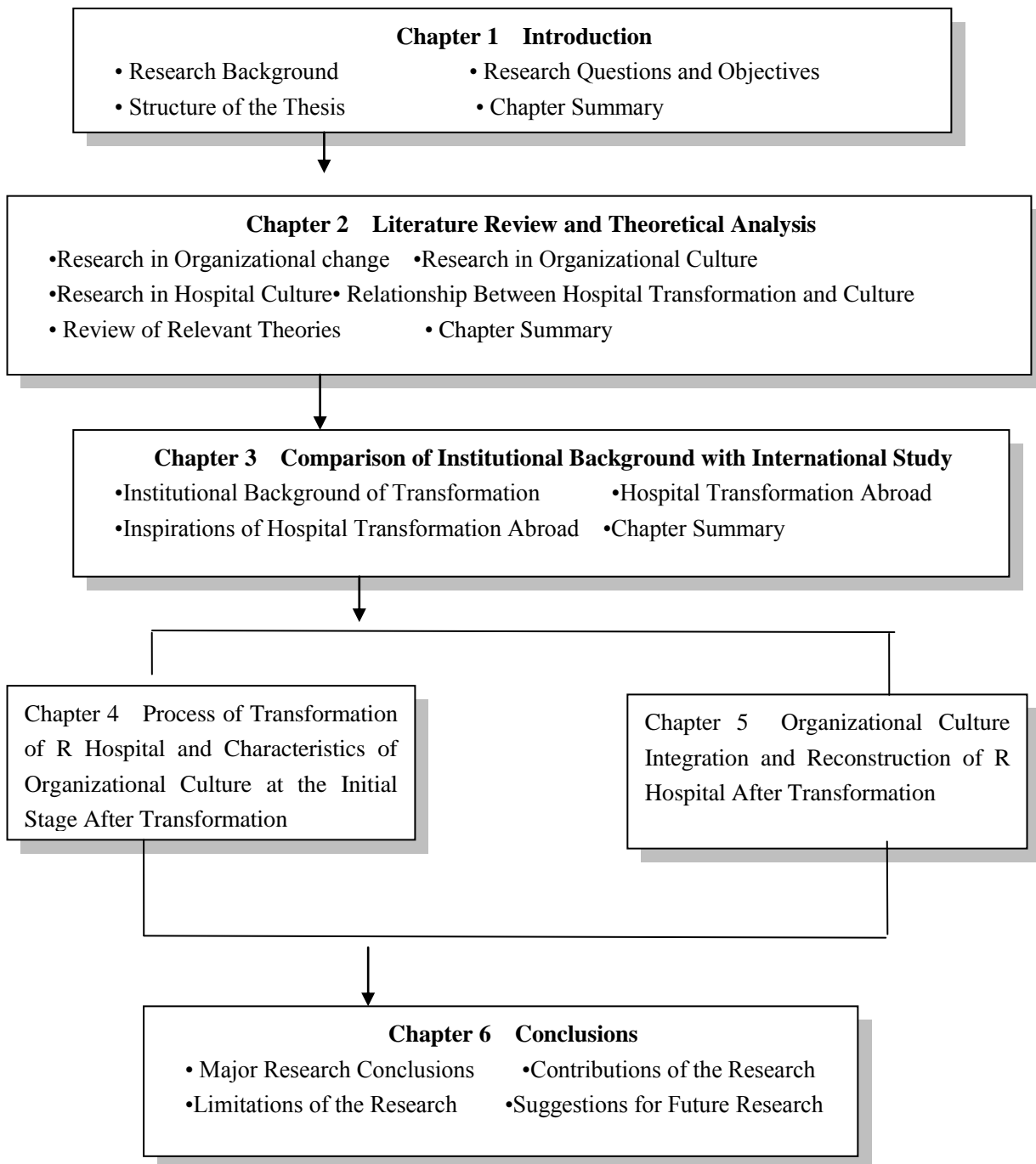


Figure 1-1 Structure of the Thesis 1

1.5 Chapter Summary

This chapter mainly provides background of the present research, including evolutionary process of China's medical system reform, problems in public hospitals after transformation and significance of cultural integration after hospital

transformation. This chapter also puts forward the objectives and significance of the present research: By way of case study on the transformation of a Chinese public hospital with 56 years of history, the present thesis aims to discuss the influences and implications of organizational culture integration and construction for the survival and development of the transformed hospital. This research is divided into two parts: First, process of hospital transformation as well as characteristics and problems of organizational culture at the initial stage after transformation; second, process of cultural integration and reconstruction of the transformed hospital as well as characteristics of the new organizational culture formed after eight years since hospital transformation. This thesis is composed of seven chapters. The thesis is structured as: literature review and theoretical analysis, comparison of institutional background with international study, research findings, analysis and discussions (divided into two parts), conclusions (including conclusions of the whole thesis, contributions, limitations and suggestions for future research).

Chapter 2: Literature Review and Theoretical Analysis

Transformation of public hospitals in China is one of the most popular research topics in many comprehensive fields of study. This chapter reviews the concept and influences of organizational change, drivers of organizational change and resistances to organizational change; introduces organizational culture and Quinn's models of organizational culture; discusses about the real functions of hospital culture, as a form of organizational culture, in hospital management; and summaries relevant studies on the relationship between hospital transformation and culture through a review of literature. At the end of this chapter, a summary of and comments on the existing literature are given.

2.1 Research in Organizational Change

This section first elaborates on definitions of organizational change by Western scholars and then gives a brief analysis of such factors as drivers of and resistances to organizational change.

2.1.1 Concept of Organizational Change

Organizational change refers to a series of drastic changes in personnel, structure and technology an organization makes in order to survive and development. The purpose of organizational change is to enhance the organization's ability to adapt to changes in the environment (Ma & Wang, 2009a). Organizational change is an important means for an organization to maintain vitality. Under the premise that the organization is an open organism, the organization must make adjustments and changes along with changes in the internal and external environments. The objective of making adjustments in the internal environment is to better the attitudes and behavior of staff and organizational culture; whereas the objective of making adjustments in the external environment is to better turn the advantages in the internal

organization into opportunities in the external environment so as to achieve stable growth that will lead to enhancement of organizational performance (Strebel, 1992). This strategy to adapt to the environment and organization is also known as organizational change (Michael, 1995).

Table 2-1 Definition of the Concept and Connotation of Organizational change in the West

Scholar	Definition of Organizational change
Morgan (1971)	Through the process of reform, an organization can increase efficiency of operations, achieve balanced growth, maintain cooperativeness and become more flexible in adapting to the environment.
Webber (1979)	Organizational change refers to the practice of improving an organization's policy structure or people's attitudes or behaviors to enhance the organizational performance.
Dessler (1980)	Organizational change is a method aimed at increasing an organization's efficacy to change the organization's structure, technology and personnel.
Michael (1995)	Organizational change refers to the adjustment an organization makes to adapt to changes in the environment when balance cannot be achieved between the organization's operations and changes in the environment.
Amir & Merry (1986)	Organizational change refers to major adjustments, including changes in the organization's mission, objective and corporate culture, an organization makes for the purpose of existence when it is impossible to cope with leftover problems and maintain continuous operations with usual practices.
Recardo (1991)	Organizational change refers to strategy adjustment or planning an organization makes to bring about changes in the behaviors of its members.
Daft (1983,1992)	Organizational change refers to an organization's adoption of new thinking models or behavior patterns. The essence of organizational change lies in changes in the behaviors and attitudes of personnel.

2.1.2 Drivers of Organizational change

Szilagvi (1983) holds that drivers of organizational change can be divided into two kinds, namely, external forces and internal forces. This idea corresponds with the concept of organizational change put forward by Strebel (1992) although the two later separated on different paths. To be specific, external forces include factors such as technology, industrial change, international trade, enterprise and government, and population. Internal forces include aspects such as organizational structure, process and staff behavior (Szilagvi, 1983). In contrast, some scholars argue that forces from one aspect only, either internal force or external force, suffice to be the decisive factor for organizational change. Robbins (1995) believes that major factors for organizational change in a rapidly changing modern environment include aspects such as changes in the quality of employment population, technological change, economic impact, social trend and change of international landscape. External uncertainty such as changes in laws and regulations and organizational growth will also become drivers of organizational change (Nadler & Shaw, 1995). Steers (1977) points out that internal factors mainly include staff objective, organizational structure and change of objective that drives organizational change. From an ecological point of view, organizational change is mainly a result of external pressure. There are very few organizations that carry out organizational change as a result of internal demand (Goodstein & Burke, 1993).

2.1.3 Resistances to Organizational Change

Organizational change is aimed at changing various factors that cannot adapt to an enterprise's internal and external environments or stand in the way of the enterprise's sustainable development, such as enterprise management system. This kind of change is bound to involve various aspects of an enterprise and result in redistribution of interests among individuals and departments in the enterprise. Therefore, it will inevitably provoke resistance from both people and organizations within the enterprise (Greenberg, 1990)

From the perspective of individuals, people's attitudes toward organizational change are closely linked to their personality. Those who dare to take challenges, take delight in carrying out innovation, have a global vision and boast strong adaptability usually have a strong inclination to embrace change, whereas those who have a strong desire for success or those who tend to follow the beaten track, are narrow-minded or worship stability always have little tolerance for change and resist change strongly (Donnelly, 1994). Some employees that have strong dependency and no idea of their own tend to be at a loss in the face of changes and thus follow the group attitudes in the organization. In addition, as changes will challenge the status quo and upset the existing balance, they are bound to harm the vested interests of some people. These people always resist organizational change most strongly. They often spread rumors, cause chaos or even take strong measures to resist change. Resistances at the individual level are mainly a result of employees' personality and mindset as well as temptations of economic interests. Although these resistances cannot form a strong force against change, they are the basic units that constitute resistances to organizational change.

Factors that lead to resistances to change at the organizational level are many-fold, including not only dominant resistances such as organizational structure and rules and regulations, but also recessive resistances such as organizational culture, atmosphere and staff's work habits. Since organizational change will result in redistribution of interests among different departments and groups in an organization, those departments that enjoy bigger power and higher positions in the organization will inevitably regard change as a threat, worry about losses and avoid uncertainty. Therefore, in order to protect their own interests, they tend to resist change (Richard, 1989). Besides, enterprise business process reengineering will inevitably transform an enterprise's organizational structure. To be specific, it will merge or remove some departments at some levels and redefine their rights and responsibilities. Thus, some departments and levels that are placed in a disadvantageous position oppose or resist change. Compared with dominant resistances in an organization, recessive resistances in the organization are harder to notice and difficult to overcome within a short span

of time. The culture and employees' ways of working in an organization have already become a form of work habit. Over a long period of work, a certain rapport or contract has already been formed among employees, leaders and organizations. Once change is carried out, it means that the working relationships and ways of working that have already formed among staff will be changed, which will inevitably generate discontent from the staff.

2.2 Research in Organizational Culture

This section introduces existing research on organizational culture abroad, with a focus on elaborating on the organizational culture models put forward by Quinn (1983), a famous American expert in organizational culture.

2.2.1 Concept of Organizational Culture

Emergence of organizational culture bears certain social historicity. Krell (1985) believes that the emergence of organizational culture can be understood as a response to three crises: The first is competition crisis, the second is crisis of organizational theory, and the third is social crisis, namely, deep crisis that is significance-oriented and society-oriented or the post-modern society syndrome familiar to the author in the West. In the 1980s, many scholars found that characteristics of enterprise culture are important drivers of enterprise development. Hence, management experts started to devote enthusiastic research to organizational culture or enterprise culture. Therefore, when organizational culture became fashionable and popular words in practical fields, enterprise management field and academia, many scholars started to study its concept and tried to give it a proper definition. The definitions of organizational culture given by Chinese scholars are basically borrowed from foreign scholars. They hold that organizational culture refers to the values, behavior patterns and mental phenomena of an organization.

Most foreign scholars regard organizational culture as the specific cultural concepts, value systems, codes of ethics, traditions, customs and habits formed in the

long-term production and operations of an organization and the associations between them. Schein (1992) defines organizational culture as a model constituted by some basic hypotheses. These hypotheses are discovered, created and made by a certain group in the process of adapting to the external environment and solving internal integration problems. If this model works well, it can be considered as an effective and right direction that has to be understood by new members when they are trying to understand, thinking about or developing a general understanding of problems.

Research on organizational culture in China roughly began in the middle of the 1980s. In around 1986, an article about organizational culture was published in *Management World*, an authoritative magazine. After 1990, a strong wave of research into organizational culture was set off in China. In theory, the research focus was on definitions of organizational culture, creation and building of organizational culture, roles and functions of organizational culture, operation of organizational culture, as well as how to set up a proper framework for the enterprise culture in China out of Confucianism. In practice, many enterprises regarded the building of organizational culture as a priority and fostering of organizational culture as a major management means. Chinese scholars Han and Zhang (2009) believe that among the existing theoretical studies, which are quite large in number, only two have some value: The first is *Transformation and Innovation of Enterprise Culture* written by Chen Chunhua (Chen, 1999). Chen's research applies Schein's three-level cultural paradigms. The second is a paper published in *Management World* with Zhan Degan and Zhang Binglin (1996) as authors. In their research, Hofstede's cultural differentiation theory is used and an empirical study on the willingness of Chinese enterprises to carry out cultural construction is conducted based on the scale entitled *Questionnaire on Chinese Value Priorities* designed by Kwok Leung and Harty Triandis. This marked the start of empirical research on organizational culture in China. However, empirical methods have been rarely used in subsequent research.

2.2.2 Model of Organizational Culture

In 1988, the famous American organizational culture expert Quinn (1983) developed an organizational culture model composed of four basic value models by categorizing organizational culture indicators based on two dimensions, namely, internal or external orientation and control authorization. This model divides organizational culture into four orientations, namely, goal orientation, ruleorientation, supportorientation and innovation orientation according to two dimensions, internal-external and control-flexibility for the purpose of conducting empirical analysis of the impact of culture types of different orientations on the competitiveness of an organization. Later on, the famous American expert consultant put forward the Organizational Life-CycleTheory, further validating and developing this model from the perspective of how an organization chooses appropriate decision-making model and management style at different stages of development.

Ever since the entry into the 21st century, this analysis model has been widely applied by some internationally renowned consulting companies and research institutes. The model itself, which has also been developed and improved in actual application, has gradually become an authoritative and popular organizational culture analysis tool. This model cannot only measure the physical form of organizational culture, but also provide strategic guidance for cultural development in the future.

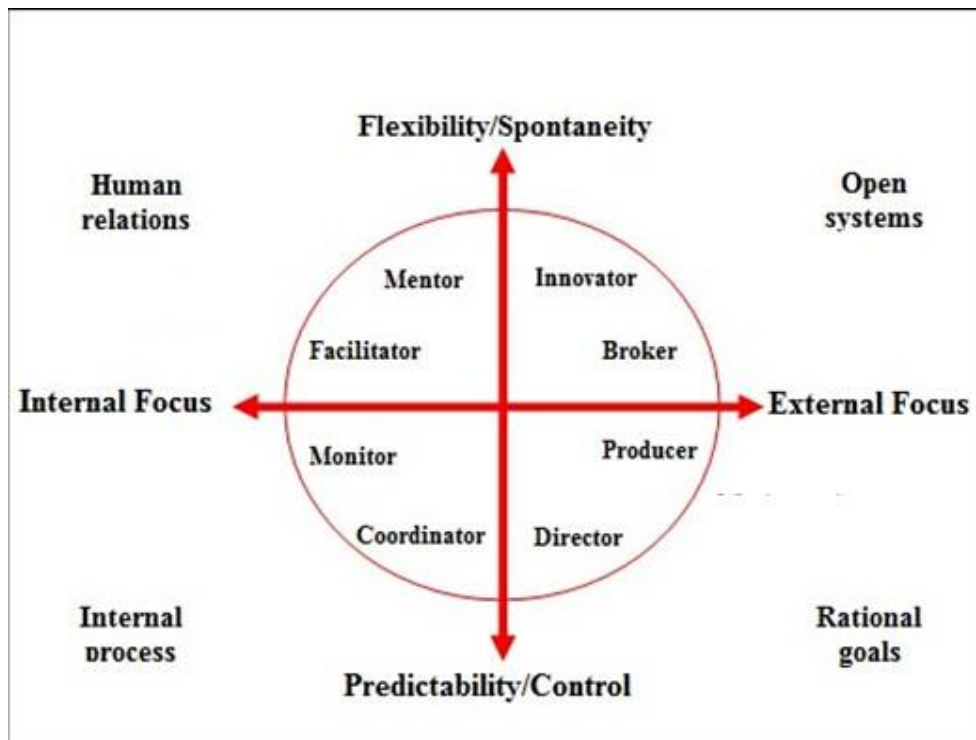


Figure 2-1 Quinn's Model of Organizational Culture (1)

According to Quinn's (1983) organizational model, if internal-external and control-flexibility form two dimensions, then four quadrants can be derived from these two dimensions. If every quadrant represents one cultural orientation, then organizational culture can be divided into four basic orientations: Market orientation, ruleorientation, supportorientation and innovationorientation. They are all indispensable for an organization and are a unity of opposites which complement each other. The only difference between them is that in different periods the degree of need for and use of them are different. The culture of any organization exhibits the above four orientations in the same period, only that the degree of intensity of each cultural orientation is different in different historical contexts and periods and that all the four orientations have their own relative correlative features.

Organizational culture exhibits different orientations in different stages of an organization's development. Development of organizational culture always follows a spiral escalation path: Innovation-oriented—goal-oriented—rule-oriented—support-oriented—high-levelinn ovation-oriented in order to accelerate the continuous evolution of organizational culture, push organizational management to scale new heights in a step-by-step

manner and form spiral escalation trend.

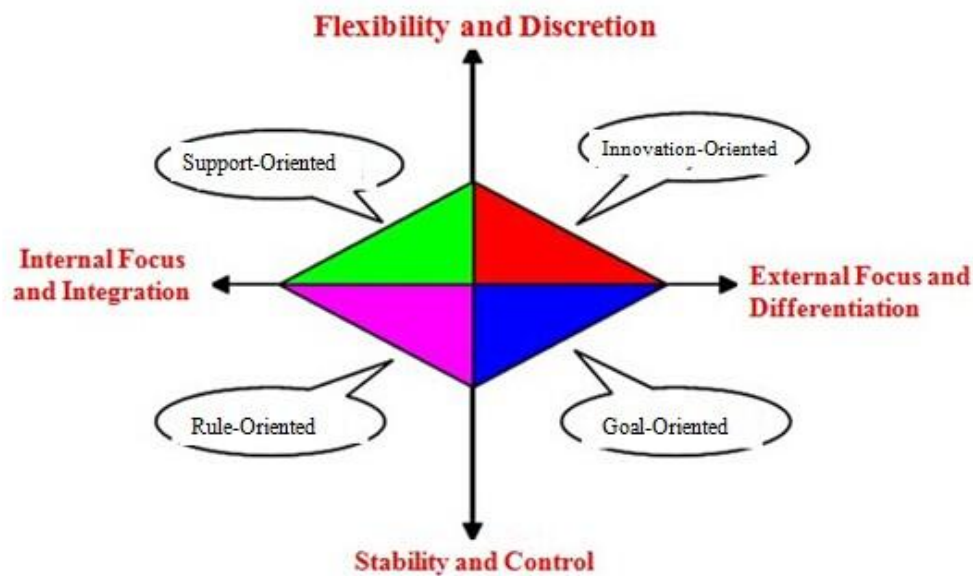


Figure 2-2 Quinn's Model of Organizational Culture (2)

From the theoretical perspective, the healthy status of organizational culture orientation should form a rhombus. However, from the structural charts of cultural orientation of mature and excellent organizations across the globe, most of their cultural orientations appear to be an inverted trapezoidal. In other words, support orientation and innovation orientation are strong, whereas rule orientation and goal orientation are weak (this might be related to the solid foundation of legal culture and organizational management in Western developed countries). However, organizations of different types tend to exhibit different cultural characteristics and different cultural orientations, thus different types and paradigms of organizational culture (Yang, 2004).

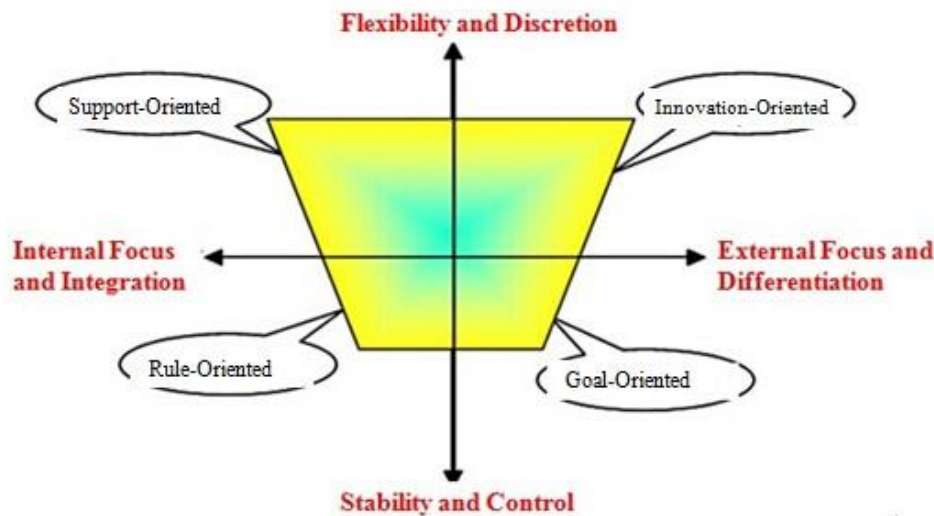


Figure 2-3 Quinn's Model of Organizational Culture (3)

2.3 Research in Hospital Culture

Hospital culture, as an extension of enterprise culture, has its unique features apart from the general characteristics. Hospital culture tends to have three major functions, namely, cohesion and stability, motivation and restraint as well as guiding and shaping.

2.3.1 Concept of Hospital Culture

Hospital culture, which is derived from enterprise culture, is the latest management idea put forward by American scholars in the beginning of the 1980s that soon gained popularity all over the world. From the macro viewpoint, hospital culture is the aggregate of material civilization and spiritual civilization formed in a hospital in the process of construction and development; from the micro viewpoint, hospital culture refers to the ideal, value concept and behavioral norms formed by hospital employees in the long-term process of hospital management and medical services through unconscious optimization. Hospital culture is an important part of the modern hospital management theory, and is thus referred to as the soul of management by

some people. Although it is constrained by aspects such as politics, economy and society, it enjoys relative independence (Yang, 2004). As a stable cultural tradition formed in the hospital over the long run, hospital culture is able to unite various internal forces of a hospital under the common guiding ideology and business philosophy and converge them in a common objective and direction. Thus, it bears important implications for driving the all-round development of the hospital. For a hospital, the level of hospital culture is an important indicator of the quality of the hospital and determines the destiny of the hospital. Therefore, studying and developing hospital culture is very necessary to hospital development in the future.

Hospital culture should be an organic whole with three layers, namely, the inner layer, the middle layer and the outer layer. The material layer, which reflects the hospital's material conditions, is a representation of the hospital's material wealth and a physical system that can be directly evaluated; the institutional layer, which is a visible embodiment of hospital management, reflects a hospital's management mechanism and effectiveness; the ideological layer, which is the invisible realm of hospital management, reflects a hospital's spirit. It dominates the mindsets and behavior of hospital employees. And it is the foundation, core and soul of hospital culture as well as the key to determining the hospital's destiny and future.

2.3.2 Functions of Hospital Culture

(1) The function of cohesion and stability

Hospital culture enables members to attach importance to not only their own interests, but also the collective interests of the hospital. Thus, they will develop a sense of identity with the hospital, which will lead to stronger cohesion of the hospital. In the process of cultural construction, the core values of a hospital are strongly recognized and widely acknowledged. The firmer the belief in accepting the core values, the stronger the hospital culture will be and the greater the influence on staff behavior will turn out. If a hospital's employees highly identify with the hospital's value orientations, there will be a significantly reduced tendency for them to leave the hospital. In other words, the staff turnover rate will be lowered. Besides, the sense of

initiative will help foster a strong atmosphere for behavior control, thus strengthening the hospital's cohesion, employees' loyalty and organizational commitment.

(2) The function of motivation and restraint

The motivation function of hospital culture is mainly reflected in the management process of hospital human resources. A hospital culture that respects and values talents will be able to not only put the right people in the right positions based on staff's own characteristics in management, thus bringing their own advantages into full play, but also prioritize human resource development to provide room for employees to grow and develop. The restraint function of hospital culture is mainly represented in the implementation of hospital rules and regulations. If a hospital's rules and regulations are scientific and reasonable, employees will voluntarily abide by them. Implementation of institutions restrains the behavior of each employee in the hospital and pushes forward hospital civilization as well as the formation and development of a healthy and orderly environment.

(3) The function of guiding and shaping

Sound hospital culture will guide employees to voluntarily abide by the principle of serving the people wholeheartedly, fulfill their responsibility of practicing medicine in a civilized manner and dedicating to their work with integrity, and turn their sense of selfless dedication into voluntary actions. Besides, hospital culture will also enable employees to understand and solve problems in work in accordance with the unified value system, thus reducing blindness and ambiguity, maintaining consistency of staff behavior, as well as guiding and shaping staff's attitudes and behavior.

2.4 Relationship Between Hospital Transformation and Culture

A hospital is bound to face the issue of cultural integration during transformation. Cultural integration pushes forward and also hinders hospital transformation. The two impact each other and complement each other. The impacts and complementarity are mainly reflected in aspects such as hospital strategy, technology, institution and information management.

2.4.1 Cultural Integration of Hospital Transformation

Cultural integration refers to a process where different cultural trends and cultural factors in an enterprise are consciously organized in an effective manner and then integrated in an organic whole. It is an integrated process of cultural proposition, cultural awareness and cultural practice. The process of cultural integration is a process where the common consciousness and common values of enterprise groups are adjusted and reengineered (Hu, 2005). Compared with organizational, technological and management integration, enterprise culture is invisible and engraved in the minds of employees and is thus difficult to integrate. Integration of enterprise culture can be understood as the organization and unification of the cultural concept systems of people in different kinds of enterprises at different levels, standards and hierarchies. In this process, aspects such as the culture, production and operations of the enterprise interact with each other and form a consistent value proposition. The cultural evolution advocated by Morgan and Tylor (1865) is a progressive classification method based on the specific characteristics of various cultures. In comparison, cultural integration is just a methodology used in studying cultures of different levels of complexity. It is not a conclusion about evolution, but an integration of several types of culture. Cultural evolution and change are realized through continuous integration. Enterprise culture integration is not only a process of cultural change, but also a process of cultural reengineering and cultural innovation. Enterprise culture integration needs to be carried out with certain methods and in accordance with certain procedures.

There are two different types of cultural integration, namely, the integration of various elements of the internal culture of the same enterprise and the integration of cultures of different enterprises in the same context. The former type of cultural integration actually refers to the process where the dominant culture of an enterprise, which is in the period of stable development, diffuses and permeates the various subcultures of the enterprise. When the enterprise is in the period of drastic change, such as transformation and reform, various foreign cultures, the traditional culture of the enterprise and modern culture will interweave, collide and clash with each other as

the previous dominant culture is challenged. Cultural integration at this time is a process where different cultures adapt to and coordinate with each other, on which basis cultural innovations are carried out by selecting and integrating the appropriate cultural elements to form the new dominant culture. In other words, enterprise culture integration is divided into the integration of the content and elements of an enterprise's internal culture and the integration of cultures between different enterprises.

2.4.2 Impacts of Cultural Integration on Hospital Transformation

The impacts of hospital culture on hospital strategy are mainly reflected in the following three aspects: The first is the decisive role of hospital values in hospital strategy. Peters and Waterman (1982) hold that any successful enterprise is dominated by its core values and in turn, core values become the competitive advantages of the enterprise. The second is the impact of hospital culture on the decision-making style of hospital leaders and managers. Hospital culture influences how managers think and behave and thus further influences the strategic decisions of the hospital and ultimately affects the hospital's core competitiveness. The third is that hospital culture is an important means for hospital strategy implementation. In a word, it is precisely the roles of restraint, guiding, cohesion and motivation hospital culture plays that stimulate employees' passion for work, enable them to actively respond to the hospital's strategic decisions and make concerted efforts to fulfill the hospital's general objective. It is the implementation and execution of hospital culture that significantly improves a hospital's strategic decision (Fang, 2012).

From the perspective of enhancing hospital core competitiveness, quality culture is a major component of hospital culture and an important guarantee for building hospital core competitiveness; a hospital's technical system, which mainly includes the experience, knowledge and technological level of its medical staff and organization, is part of the hospital's material culture and behavioral culture. Hospital institutional culture, which provides guarantee for the building of a hospital's core competitiveness, can standardize and constrain the behavior patterns and ways of

thinking of its employees; in today's world where information transmission is convenient and rapid, hospital image has become an important aspect that a hospital has to strive hard to maintain. Hospital image is not only a representation of a hospital's behavior culture, but also an important means to shape and enhance the hospital's core competitiveness; by way of satisfying people's needs for self-actualization, hospital culture facilitates the building of talent pools, and in turn, building of talent pools can help strengthen the construction of hospital culture. Competent people are the key to the building of hospital core competitiveness.

2.5 Review of Relevant Theories

Hospital transformation is a process that involves property right transfer where organizational culture has taken root in leaders' minds, behavior and characters. In the meantime, due to change of the property right owner, changes will occur in the psychological commitment to the organization of the employees who are part of the hospital. Based on the common situation that exists in the transformation process, this section focuses on elaborating on theory of property rights, leadership theory and theory of psychological contract in order to lay a theoretical basis for this thesis.

2.5.1 Theory of Property Rights

Public hospitals in China, which have gone through the days of the planned economy, are still implementing the management model where the state uniformly provides capital under the traditional planned economy system. The lack of clarity of property rights has resulted in absence or offside of owners. In other words, a chaos has been caused where the matters that need to be managed are left unmanaged and the matters under management are not managed well. As a result, organizations in the whole hospital are overstaffed, which leads to low efficiency of medical resource allocation and operation.

(1) Definitions of Property Rights in Western Economics

The theory of property rights is an important economic theory formed during the course when Western developed countries were developing the capitalist market economy. In 1960, the American economist Ronald Coase published an article entitled “The Problem of Social Cost”, which laid the foundation for the theory of property rights. Later on, Demsetz and Harold(1998) gave their respective definitions to property rights. In their view, property rights are a type of social tool. Their importance lies in the fact that they can help a person form rational expectations when he is doing transactions with others (Demsetz & Harold, 1998). Property rights are the rules people must abide by while utilizing resources (Alchian& Demsetz, 1972). In the book entitled *The Theory of Price* written by the American economist Stigler and published in 1966, elaborations on Coase theorem were given: Under the conditions of perfect competition, private cost will equal social cost.

Coase believes that an accurate definition of property rights by the government is a better option than correction of the initial configuration of rights by transactions between individuals. In 1988, Cooter made further statements on Coase theorem in a book entitled *Law and Economics*: The first is the normative Coase theorem: Laws should be established to eliminate obstacles of private agreements; the second is the empirical Coase theorem: When the two parties in conflict with each other about rights can negotiate together and resolve disputes through cooperation, no matter what the basic rules of the law are, their behavior will be effective. Coase theorem explains the relevance between property rights arrangement and resource allocation efficiency and underlines the importance of property rights. By clarifying the definitions of property rights, externalities of health services can be avoided and social cost can be lowered so as to provide institutional guarantee for the effectiveness of resource allocation.

(2) Marx’s Theory of Property Rights

As to property rights, Marxists in the contemporary world generally hold that the Marxist Theory contains a set of complete theories of property rights. Marx studied the emergence, development and change of ownership in the paradoxical movement

between productivity and relations of production and that between economic foundation and superstructure. In other words, he studied them in the law of historical development. Marx (1848) regards ownership as the relationship between labor and its objective conditions, namely, the special social form in which the subject of labor and the objective conditions of labor are combined and the ownership of the objective production conditions possessed by the economic agents. A specific mode of production leads to a specific way of possession. When economic ownership comes into being, there will be legal ownership to accommodate it. In Marx's view, the forms of ownership and property right structure of a certain society may not be a result of free transactions and free contracts between individuals but a result of the paradoxical movement of the entire social structure, namely, the paradoxical movement between productivity and relations of production and that between economic foundation and superstructure. After systematically analyzing various forms of ownership in history, Marx pointed out that the property right is a cluster of rights, including the right of ownership, the right of possession, the right of disposal, the right of use, and the right of revenue.

(3) Relationship Between Hospital Property Rights and Nature of the Business

After the property right reform, a hospital has many investors, including the state, group, community, staff, enterprise and individuals. From the economic perspective, there are four evaluation criteria: First, whether it is a designated basic medical unit that undertakes social insurance; second, whether it implements the welfare charging standards formulated by the government for residents; third, whether it undertakes the government's social health tasks; fourth, whether it receives dividends. The first is an assessment criterion and the other three are not only assessment criteria but also measurement criteria. If a hospital is a designated basic medical unit that undertakes social insurance, implements the welfare charging standards formulated by the government for residents, undertakes the government's social health tasks and receives no dividends, then the hospital is an enterprising medical institution.

(4) Basic Functions of Property Rights in Public Hospital Institutional Reform.

①The internalization of externalities. As pointed out by Demsetz (1999), “a primary function of property rights is that of guiding incentives to achieve greater internalization of externalities”. Externality refers to the phenomenon where the impacts of certain economic behavior on the external result in the separation of private (enterprise or individual) cost from social cost and that of private benefits from social benefits. The reason for the emergence of externality lies in the fact that one or many interrelated decision-makers bear the brunt of external effects. This requires too much transaction cost to render it worthwhile. Due to the unclear definition of property rights of public hospitals in China, the government not only establishes hospitals but also participate in daily management and operation of hospitals. Besides, different departments of the government all try to control and manage hospital daily operations from various aspects, resulting in an excessive number of decision makers. In addition, the rise in the cost of pharmaceuticals, medical materials and medical supplies has led to high transaction cost for hospitals. In order to safeguard their own interests, hospitals often resort to such economic actions as arbitrary charges, arbitrary examinations and prescription of expensive and excessive drugs, resulting in the negative externality of the difficulty and high cost of getting medical treatment. The existence of externality will lead to the failure of market mechanism and result in a waste of resources and a decrease of efficiency. Therefore, externalities must be internalized to enable relevant subjects to take into consideration all costs and benefits. According to Coase’s theory, the basic approach of internalization is establishment of property rights. After establishment of property rights, people can identify the boundaries of their own behavior and interests and make transactions of their own rights. Through transactions, resources will flow to the hands of the most effective users and internalize externalities to the maximum extent. The reason why property rights have this function is that clarity in the definition of property rights can save transaction cost and enhance resource allocation efficiency.

②The resource allocation function of property rights. Realization of this function of property rights mainly depend on the three important elements of the exclusiveness of property rights, namely, the right of use, the right of disposal and the

right of revenue. The exclusiveness of property rights determines that apart from the user of property rights, no one else has the right to use the resources. The right of disposal refers to the right of the property rights owner to authorize other people to use his right of ownership. And the right of revenue is the ultimate goal of the property right owner. Because of this, with clearly defined property rights, the owners of public hospitals, motivated by the right of revenue, must try their best to allocate resources to where the utilization efficiency is the highest. And in order to bring this function of property rights into play, clear definitions must be given to property rights and successful operation of property right transactions (transfer) must be guaranteed.

③The function of restraint and motivation of property rights. Property rights are a type of social tool. Their importance lies in the fact that they can help a person form rational expectations while making transactions with others. On the one hand, they determine what public hospitals have and what they do not have as well as what they can do and what they cannot do. If public hospitals impair the interests of others during the exercise of property rights, the impairer(s) must make compensation. This restrains the behavior of property right owners. On the other hand, since property rights include the right of revenue, property right owners must allocate resources to the appropriate places for their own economic interests. This is how the function of motivation comes into being.

2.5.2 Leadership Theory

The concept of leadership can be referred to in both the broad sense and the narrow sense. In the broad sense, leadership refers to study on leadership positions, duties and activities as well as leaders. In the narrow sense, leadership refers to the process of passionate work that influences and supports other people to achieve their goals. In the field of social psychology, researchers mainly study leadership in the narrow sense. Currently, the definition of leadership given by Stephen Rogers is widely quoted in the academia: Leadership refers to the ability and process of influencing others to accomplish their goals.

Table 2-2 Definition of Leadership by Scholars Abroad

Scholar	Definition of Leadership
Koontz	Leadership is an art that enables subordinates to fulfill their tasks with strong confidence and passion.
Hemphil	Leadership is a process of guiding a group to solve common problems in the course of interactions.
Rannenbaum	Leadership refers to an influence aimed at achieving a certain goal as a result of opinion exchanges under certain circumstances.
French& Raven	Influence of leadership is understood as the control one possesses and exerts on other people.
Davis	Leadership is an ability to persuade others to pursue a certain goal eagerly.
Terry	Leadership is a behavior that motivates people to voluntarily make efforts to achieve the group objective.
Young	Leadership is a form of governance where subordinates are more or less willing to accept another person's command and control.

(1) Trait Theory of Leadership

People started to pay attention to the traits of leadership at a very early time. The study of leadership theory began with a study in genetic characteristics that differentiate leaders from non-leaders and explain the personal efficacy of leaders (Galton & Eysenck, 1869). Galton holds that the traits of leaders are born. In fact, this early research paved the way for paradigm research on leadership traits. Later studies have proved that personal characteristics, such as demographic data, skills and capability and personal traits can be used to predict leadership (e.g. Eagly, Karau & Makhijani, 1995; Judge, Bono, Ilies, & Gerhardt, 2002; Judge, Colbert, & Ilies, 2004; Mumford, Campion, & Morgeson, 2007).

Trait theory of leadership is focused on studying the differences in factors such as personality, social intercourse, physiology and intelligence between leaders, non-leaders and unsuccessful leaders. Stogdill (1952) holds that the character of a leader includes five physical characteristics, two social characteristics, four intellectual characteristics, 16 personality characteristics, six work-related characteristics and nine social intercourse characteristics. Baumol (1965) argues that in actual work, an entrepreneur should possess ten abilities, namely, cooperative spirit, decision-making ability, organizational ability, excellence in picking able people, sound strain capacity, a strong sense of responsibility, courage to carry out innovation, boldness to take risks, respect for others and fine virtues.

However, trait theory of leadership fails to explain leadership behavior. Possible reasons for this are as follows: First, the leadership traits put forward by researchers cover a wide range. No specific trait can be found to always differentiate leaders from non-leaders and effective leaders from non-effective leaders; second, the causation is unobvious. To be specific, the cause and effect of whether the confidence of leaders leads to success or success leads to the confidence of leaders has not been clearly distinguished; third, the needs of subordinates are neglected; fourth, the most important reason is that it has neglected situational factors, which is the Achilles' heel of the trait theory of leadership. Therefore, researchers have started to shift the focus of study to leadership behavior.

(2) Behavioral Theory of Leadership

Entering into the 1940s, researchers started to shift the research focus to the actual behavior of leaders. Some of the most famous studies include studies by Likert's Support Relation Theory (1961) and Lewin's Average Leadership Style Theory (1943).

Likert (1961) and his colleagues put forward the Support Relation Theory in their research on leadership theory. Support Relation Theory refers to the idea that leaders need to take the situation, ideas and hopes of their employees into consideration and support their employees to realize their goals so as to enable employees to recognize

their value and importance and realize that their experiences and contacts in work are conducive to their sense of personal value and importance. In Support Relation Theory, Likert (1961) puts forward four systems of management, namely, exploitative-authoritative system, benevolent-authoritative system, consultative system and participative system. Likert holds that among the above four systems of management, only the fourth one is the most effective system of management. And he discovers that people who use the fourth system of management are generally very successful leaders. This shows that the participative system is in compliance with the trend of the times.

Lewin, a research fellow at University of Iowa and a famous psychologist, and his colleagues (Lewin, Lippit & White, 1939) have been studying group atmosphere and leadership style since the 1930s. By adopting the method of child simulation and using power positioning as the basic variable, they classified the extreme work styles represented by leaders in leadership process into three categories, namely, autocratic style, democratic style and free-rein style. While comparing the influences of these three leadership styles on the group, researchers find that the free-rein style results in the lowest efficiency, and that although autocratic style can lead to the realization of goals, there have emerged negative attitudes and antagonistic sentiments among the group members. The democratic style leads to the highest work efficiency. It not only leads to the realization of goals, but is also met with no negative behavior and antagonistic sentiment. Based on the comparison results, researchers maintain that democratic style is the best leadership style. The research conclusion made by Lewin, Lippit & White is: Democratic style is the best leadership style. This objectively invalidates the basic hypotheses of contingency theory. Yet in fact, subsequent studies indicate that democratic style cannot always lead to the highest work efficiency. But it always bears relevance to high job satisfaction degree.

2.5.3 Theory of Psychological Contract

“Psychological contract” is a term put forward by E. H. Schein, a famous American psychologist. Schein sees psychological contract as coordination between

individual dedication and an organization's expectation for achievement as well as the organization's support for individuals wish to gain benefits. Although it is not a tangible contract, it does play the roles of a tangible contract. Schein's definition can be interpreted like this: Although the conditions for the growth of an enterprise and the development of its employees are not written down in a written contract and it is impossible to write them down as they are dynamic and changing, both the enterprise and its employees are still able to identify their "focal point" for decision-making (Fang, 2007; Mo, 2010).

(1) The Connotation of Psychological Contract

Generally speaking, psychological contract includes expectations of the following seven aspects: a sound working environment, match between tasks and occupational orientation, safety and sense of belonging, remuneration, value identification, opportunities for training and development, as well as promotion. The subject of psychological contract is the mental state of employees in an enterprise, whereas the three basic concepts used to measure the mental state of employees in the enterprise are job satisfaction degree, job involvement and organizational commitment. In such an organization where economic activities are the focus, employees' satisfaction degree is the focus of and key to enterprise psychological contract management. The purpose of psychological contract management is to enable employees to achieve job satisfaction through human resource management and further foster a strong sense of belonging and dedication to the organization among employees (Schein, 1990). Therefore, if an enterprise wants to realize the most effective allocation of human resources, it must fully intervene into the EAR cycle of psychological contract and realize employees' expectations by influencing the EAR cycle (Shi & Sun, 2011).

EAR cycle refers to the establishing (E), adjusting (A), realization (R) of psychological contract. At the stage of E, the enterprise should understand the expectations of its staff, and enable the staff to understand the current situation and the development in the next few years of the enterprise and their respective

departments so as to help them establish a rational expectation, which prompts them to work hard towards the realization of that expectation. At the stage of A, psychological contract is established on the basis of the predictions of the enterprise's future. When discrepancies are found between the reality and the prediction, adjustment is inevitably to be made. At the stage of R, the enterprise should timely examine the realization. To be specific, the enterprise should get to know to what extent have employees' expectations come true, so that the enterprise can enter into the next stage of the EAR cycle with employees. In short, although "psychological contract" only exists in the minds of employees, it is an intangible statute, which can enable an enterprise to maintain a sound and stable relationship with its employees in dynamic conditions, and make the employees regard themselves as the subject of human resource development, thus fully integrating individual development into enterprise development (Li, 2006). Therefore, only by fully understanding the psychological contract and participating in the whole process of employees' EAR cycle can an enterprise create an organization full of vigor and vitality sustainably.

(2) Establishment of Psychological Contract

Enterprise "psychological contract" must be established with scientific career management as the premise (Chen, 2006). According to Hall (2011), an American organizational behavior specialist, career refers to the series of activities and behavior included in one's work experiences throughout his life. The growth and development of an enterprise, as an economic organization, are forever in a dynamic development process. In this process, both the physical state and mental state of the enterprise's human resources are in an ever-changing process. It is the objective of enterprise human resource management to guarantee that human resources serve the interests of enterprise development in the long run without resulting in disunity with the change and growth of the enterprise. The fact that an enterprise and its employees conclude and maintain a "psychological contract" characterized by dynamic balance is a vivid representation of this objective. By combining individual career plan with

organizational career management and striking a balance between human resource demand and individual career demand within an organization through internal career development system of the organization, a working environment of high efficiency can be fostered. The combination of employee training and career planning is a good idea to strengthen employees' sense of fulfillment, job satisfaction and loyalty to the enterprise, and prevent brain drain in the enterprise (Tang, 2007).

Conclusion and maintenance of "psychological contract" requires a people-oriented enterprise cultural atmosphere. A healthy and positive enterprise culture can help create a strenuous, aggressive, harmonious and equal enterprise atmosphere and enterprise spirit so as to form a strong spiritual pillar for all employees and form an unbreakable life community (Che, 2008). Building a people-oriented culture to enable every person to bring their talents into full play and effectively develop employees' abilities and potential can help undoubtedly create a sound atmosphere and room for the conclusion and maintenance of "psychological contract", enhance employees' passion and belief in hard work, and motivate the enterprise and employees to abide by their respective "promises" implied by the "contract" together (Wen, 2004).

2.6 Chapter Summary

This chapter mainly reviews the key concepts that are relevant to this research subject from the perspectives of definition, current understanding and current situation. The main content includes: a. Research in organizational change. Elaborations on organizational change, drivers of organizational change and resistances to organizational change are given. B. Research in organizational culture. Quinn's model of organizational culture is reviewed. C. Research in hospital culture. The composition and functions of hospital culture are provided. D. The relationship between hospital transformation and culture. The implications of organizational culture integration and the process and model of the transformed culture, the impacts

of cultural integration on hospital transformation are reviewed which underlines the importance of organizational culture on hospital transformation. E. Review of relevant theories. Analyses of the theory of property rights, the leadership theory and the theory of psychological contract are reviewed.

Chapter 3: Comparison of Institutional Background with International Study

This chapter reviews the institutional background of transformation. From enterprise transformation to hospital transformation, the shared objective of transformation is to introduce market mechanism and achieve higher efficiency of property rights transfer. This chapter provides a comparative study of hospital transformation both home and abroad. Progress in hospital transformation in the U.S., the U.K., and Singapore and the enlightenment on the author are elaborated on. At the end of this chapter, a summary and comments on the existing research are given so as to shed light on the common features of different organizations and hospitals in different countries through comparative study.

3.1 Institutional Background

Entering into the market economy, impacts of the major context gave rise to a wave of enterprise transformation aimed at introducing the market mechanism, reasonably allocating resources and raising operating efficiency. This section introduces the institutional background of enterprise transformation and hospital transformation and analyzes the common transformation patterns.

3.1.1 Institutional Background of Enterprise Transformation

Enterprise transformation is aimed at providing a solution to low efficiency, operating loss and difficult operations in state-owned enterprises, transforming them into stockholding or private enterprises and putting state-owned enterprises and their employees under the regulation of the market mechanism so as to enable enterprise proper rights structure to become reasonable and efficient in the market mechanism. Institutional transformation of state-owned enterprises is not an end, but a means to an end. The end of transformation is to realize sustainable development of

the enterprise and bring immediate interests to various stakeholders, including the state, society, shareholders and employees. In the process of transformation, state-owned enterprises must face a number of inevitable issues. For example, how should asset disposal, staffing and property rights transfer be regulated? How should the transformed enterprise change philosophy, develop, intensify supervision and restriction, and develop enterprise core competitiveness? Generally speaking, transformed state-owned enterprises exist in two forms, namely, wholly state-owned joint-stock company and joint-stock company.

3.1.2 Institutional Background of Hospital Transformation

(1) The Concept of Public Hospitals and Private Hospitals

According to the business entity, hospitals can be divided into public hospitals and private hospitals. Public hospitals, which are hospitals established with government fund, are not-for-profit hospitals aimed at providing basic medical services and completing other tasks assigned by the government. Local finance gives a reasonable amount of compensation to hospitals to support their infrastructure construction, purchase of large equipment, and development of key disciplines and labor cost for some employees (Yan, 2007). Public hospitals belong to public institutions of the state and play a dominant role in the field of medical services (Wang, 2008). Through their basic functions, such as providing basic medical services to the middle-and-low income groups, coping with health emergencies, carrying out basic clinical research, ensuring social stability, building a harmonious society and driving medical development, public hospitals ensure the healthy development of medical and healthcare services and the stable development of socialist democracy in China. Private hospital is a concept relative to public hospital. In the medical industry, private hospitals refer to hospitals with fixed premises, a certain number of beds as well as corresponding human resources, technologies and equipment, not hospitals that are funded by government capital but are neither included in state establishment nor managed by state functionaries. Most public hospitals are for-profit hospitals. But there are also not-for-profit private hospitals that are not funded by the government (Zhang, 2008; Zou & Ning, 2012).

(2) Hospital Transformation Patterns

Although it has been raised in many papers that the prerequisite for hospital institutional reform is a clear definition of property rights. Up to now, no consensus has been reached concerning the definition of property rights (Gao, 2005). In general, three prospects for the development of public hospital institutional reform have been put forward in foreign papers: First, Hospital group system reform. A medical group refers to a uniform management body formed by three or more hospitals for specific purposes. It is a large medical group formed by uniform consortia for specific purposes under an independent uniform system so as to better compete in the medical market by bringing out brand effect, expanding scale effect, utilizing and optimizing existing resources, lowering medical cost and raising work efficiency. Second, hospital joint-stock system transformation. Joint-stock hospitals are either established by legal person investment or transformed from large state-owned hospitals; most of the joint stock cooperative hospitals are transformed from small state-owned urban hospitals, collectively owned hospitals and rural township health centers. The shares of these hospitals are owned by the state government, collectives, individuals or legal persons. Third, hospital trusteeship. Hospital trusteeship refers to the act where the hospital property rights owner, namely, the principal, based on his trust in the trustee, transfers hospital assets to the trustee and the trustee, in his own name, manages and disposes the hospital assets in accordance with the principal's interests or specific purposes (Liu, Jiang, Fang, & Tan, 2011; Yao, 2005). In 2002, the State Council issued the Guidelines on Reform of the Urban Health System (General Office of the State Council, 2002) in which it was noted that: Hospitals, as institutions responsible for carrying out public welfare undertakings of the government, will implement the target-oriented responsibility system of medical services and asset management mandatory administration.

(3) Hospital Transformation in China

In China, the government's resolution to invest and the amount of money it invests are an important link of public hospital transformation. Due to the quasi-public

nature of medical services, market regulation is ineffective. Therefore, public hospital reform calls for government intervention and domination. Under the impacts of the traditional planned economy system, hospitals are still affiliated to the government. After transformation of hospital finance system management from the previous “level-to-level administration, targeted subsidy and all-in-one budget expense” to the “full amount management, subsidy for the difference, no subsidy for over-expenditure and utilization of the balance”, the government has gradually reduced financial investment in hospitals, adopted the price-cap policy on medical income, and “streamlined administration and delegated more power to lower levels”, delegating corresponding personnel power and financial power to hospitals (Hao, 2009). In order to arouse employees’ initiative, hospitals strengthened economic means in administration and carried out a series of measures internally, including “management contract responsibility system”, “rental system” and “commission for over-fulfillment of quota” (Jiang & Zhang, 2006). These reforms have solved the previous three major problems including the difficulty of hospitalization, the difficulty of accessing medical treatment and the difficulty of getting operations done. However, due to the unreasonable hospital operating mechanism, unsmooth social financing channels and weak social supervision, some hospitals have been pursuing excessive economic benefits (Yan, 2007).

Reform of the operating mechanism of public hospitals requires public hospitals to change the existing institutional model and establish a modern hospital management system characterized by clear definition of property rights, well-defined rights and responsibilities, separation of enterprise from administration and scientific management (Wu, 2004). Institutional reform of public hospitals in China is to solve existing problems such as low hospital operating efficiency and low economic benefits so as to enable hospitals to run with higher efficiency and stronger economic strength. The fundamental objective of the reform is to guarantee the needs for health of the general public. Therefore, while ensuring the increase in economic benefits, greater attention is paid to social benefits (Zhang, 2007).

3.2 Hospital Transformation Abroad

Public hospital transformation, whose efficiency is raised by breaking from the restrictions of administrative departments and the government purchase system, is often described as the result of the unwillingness of local governments and communities to continue providing financial support to hospitals (Needleman, Chollet & Lamphere, 1997). This section chooses hospital transformation cases in the U.S., the U.K. and Singapore as references for international comparative study.

3.2.1 Hospital Transformation in the U.S.

American hospitals implement the typical market economy hospital management pattern. Based on private ownership and characterized by high dispersion of economic decisions, completely liberal economy, free business and free competition are implemented. The government has very little intervention in the economy. Entering into the 1990s, in order to control the rapid increase of health expenditure, the management healthcare model gradually expanded, intensifying competition between hospitals. In order to enhance the ability to negotiate with management healthcare organizations and lower operating cost, hospitals had to expand scale through merger and conglomeration. Besides, expansion of for-profit hospitals was another reason that brought pressure to American hospitals and resulted in the urgency of transformation and reform. First, the merger and transformation of American hospitals mainly included two aspects, namely, the horizontal aspect and the vertical aspect. Vertically, hospitals developed into a health service system with increased capacity for referral from grassroots hospitals. Besides, the two-way referral system practice was implemented in the whole vertical merger system, enabling hospital resources to be rationally allocated and the system to smoothly operate. Seeing from the horizontal merger, hospitals formed large-scale medical groups by horizontal merger and conglomeration, lowering operating cost, enlarging hospital economic scale and providing patients with satisfactory medical services. Second, adjustment of hospital internal structure. In the medical market competition dominated by

management healthcare, hospitals also needed to adjust the allocation of internal resources and strive to develop new services so as to better meet to the needs of market competition. For example, some American hospitals have utilized part of their human resources and physical resources to provide disease prevention and primary healthcare services so as to serve more communities and acquire more referral. Third, for-profit hospitals are developing with sound momentum. The American medical service market is a diversified market with many forms of ownership. After the wave of hospital merger and transformation, the scale of for-profit hospitals also expanded quickly, which further intensified competition in the medical market. But at the same time, the level of medical services was also enhanced in the competition, satisfying people's needs for different medical services (Liu, 2002).

Table 3-1 Statistics of Hospital Transformation in the U.S. from 1980 to 1990 and in 1993

Type of Transformation	1980-1990			1980			1990-1993		
	Total	General department	Specialized department	Total	General department	Specialized department	Total	General department	Specialized department
Total	5768	5005	763	1004	790	214	6015	4950	1065
Non-transformed	5236	4506	730	914	704	210	5832	4791	1041
Transformed	532	499	33	90	86	4	183	159	24
Transformed from not-for-profit into for-profit	110	95	15	27	26	1	37	31	6
Transformed from public into for-profit	73	72	1	16	16	0	7	7	0
Transformed from for-profit into not-for-profit	55	47	8	20	18	2	42	33	9
Transformed from for-profit into public	6	5	1	2	2	0	14	13	1
Transformed from not-for-profit into public	65	64	1	7	7	0	32	29	3
Transformed from public into not-for-profit	223	216	7	18	17	1	51	46	5

Source: Needleman, Chollet & Lamphere, 1997, estimated on the basis of the annual survey data of American Hospital Association.

3.2.2 Hospital Transformation in the U.K.

The National Health Service system in the U.K. was set up in 1948, providing extensive free healthcare services for the general public. This service system was built on the basis of tax. In the meantime, it overcame the problem of ineffective market regulation and was patterned after by many countries. This kind of public medical service system has scored notable achievements worldwide, achieved fairness and accessibility of health services, improved the health of the general public and obtained widespread recognition. However, in the course of the development of this health service system, a lot of drawbacks caused by low efficiency have occurred particularly in public hospitals, such as long waiting time, dissatisfaction of patients, brain drain and corruption. Therefore, public hospital reform was carried out (Han, 2007).

In the U.K., the National Health Service system was implemented in 1948. The main content was: Provide widespread free medical services; finance through taxation; ensure the fairness of health services; implement centralized management; public hospitals are owned by the state; hospital employees enjoy the same treatment as civil servants; doctors work for hospitals on the basis of the contract system. This service system is made up of three parts, namely, primary services, community services and specialist services. Public hospitals include hospitals at three levels, namely, community hospitals, local general hospitals and Level-Three specialized hospitals. Public hospitals take up more than 95% of all hospitals nationwide. Patients must be transferred by general practitioners to hospitals at a higher level. The fund for NHS must come mainly from taxation, with a small amount coming from private medical insurance (Legal Paper Website, 2003). NHS ensured the rights of all British citizens to get medical treatment equally. Its expenditure took up 6% of the GDP (Liu, 2002). It yielded sound health results and was widely acknowledged by the people. Later on, due to political needs and lack of competition, the system became flawed with drawbacks such as low efficiency and lag of resource allocation caused by ineffective pricing. This led to reform of the internal market aimed at introducing market competition and raising efficiency. In 1997, reform of the internal market was

announced to stop to make way for medical and health reform with more modernized management means. To be specific: Shift the purpose of reform from sheer emphasis on efficiency to focus on quality of medical services and fair transformation; strengthen the autonomy of public hospitals; strengthen performance management and quality management of public hospitals; intensify internal management and control of public hospitals. In 1999, the U.K. established the National Institute for Health and Clinical Excellence and the Commission for Health Improvement to supervise health services (Legal Paper Website, 2003).

3.2.3 Hospital Transformation in Singapore

Singapore's health system followed the British model, and was characterized by the dual structure of public hospitals and private hospitals. Twenty percent of the funds of primary healthcare services are provided by the government and 80% by private institutions (Han, 2007). The health fund comes from taxes. Citizens enjoy free medical and health services. Only a small amount of money is charged for a few specific items to inhibit excessive health consumption. However, with aging, people are having increasingly greater demand for medical services and the government expenditure is increasing, rendering reform to be inevitable. Besides, the efficiency of the previous medical service system was low, public hospital management system was rigid, brain drain was serious, repair and maintenance of medical devices was not in time. All these factors also made the Singaporean government obliged to carry out reform. In 1984, the Medisave Program was implemented, transferring financing from the government to employers and employees. Later on, reform of the public hospital transformation plan and public hospital charge system was carried out. In Singapore, public hospital services are divided into five levels according to hospitalization conditions. The higher the level of wards is and the better the conditions are, the higher the fees are and the lower the amount of subsidy is. On the contrary, the lower the level of wards is and the worse the conditions are, the lower the fees are and the higher the amount of subsidy is. However, patients receive the same medical services. The only difference is that patients staying in the wards of

higher levels can choose doctors. In order to prevent hospitals from inducing demand, the government has exercised total quantity control (Liu, 2002).

Prior to the “incorporation of public hospitals”, employees of public hospitals were civil servants who were managed by the Ministry of Health with low efficiency. Later on, the Singaporean government transformed public hospitals into not-for-profit corporations wholly owned by the government and carried out pilot transformation in the hospitals (Luo, 2005). In 1987, the Health Corporation of Singapore was established, which became the largest medical service company in Singapore. The Ministry of Health, as the only shareholder, was responsible for exercising supervision on the Health Corporation of Singapore. Thus, by way of changing the governance model of public hospitals, the healthcare corporation can enjoy management autonomy and adopt modern management means, such as introducing specialized management personnel and advanced accounting system, implementing human-based management, and introducing comprehensive quality management system so as to raise efficiency and achieve conglomeration of public hospitals. In order to solve such problems as wasting of resources, Singapore established two verticallyintegrated medical service groups. The service items of these two groups are starkly different. By making use of the scale effect, reducing waste of resource and providing quality medical services, internal cooperation can be carried out and external competition can be maintained at an appropriate level. In this way, strengths can be drawn upon to make up for the weaknesses and achieve mutual development (Han, 2007).

3.3 Inspirations of Hospital Transformation Abroad

In order to enable hospitals to gain autonomy and compete in the market, the U.S. and U.K. governments adopted the way of changing government fiscal expenditure. In other words, the governments do not allocate medical service fund to hospitals any more, but become the purchasers of medical services for the general public. Singapore successfully realized restructuring of state-owned medical resources and set up

hospital groups. Through private operation of state assets, Singapore pushed state-owned enterprises to the medical market, enabling state-owned hospitals to continuously improve in the market and realize maintenance and appreciation of assets value. The restructured hospitals are equivalent to not-for-profit medical organizations aimed at maximizing the hospital operating efficiency and cost effectiveness. In the meantime, hospitals still need to abide by the policy guidelines of the health authorities of the government. Transfer of government functions, change of the model of fiscal expenditure and active introduction of the market mechanism can serve as a reference for China, which is still continuously exploring the model of public hospital transformation and help researchers further arrive at the conclusion that the government in plays a major role in hospital transformation process.

Table 3-2 Analysis of Hospital Transformation in Major Countries

Country	Characteristics and Content of Hospital Transformation
The U.S.	<ol style="list-style-type: none"> 1. Adjustment of hospital internal structure 2. For-profit hospitals are developing with sound momentum.
The U.K.	<ol style="list-style-type: none"> 1. Reform the functions of local health bureaus; 2. Introduce general practitioners; 3. Establish a stable number of hospital trusts with certain influence; 4. Change the relationship between health service buyers and suppliers, and use contracts or agreements to regulate.
Singapore	<ol style="list-style-type: none"> 1. Transform public hospitals that were previously under the direct management of the Ministry of Health into self-employed companies that provide medical services; 2. The Ministry of Health carries out indirect management of transformed hospitals on a trial basis through the newly established Singaporean healthcare company.

3.4 Chapter Summary

This chapter reviews the institutional background of transformation. Enterprise transformation is aimed at resolving the low efficiency and operating loss of state-owned enterprises, carrying out share-holding system and privatization reform, implementing the system for state-owned enterprises and their employees to enter the market so as to enable enterprise property rights structure to become reasonable and efficient in the market mechanism. Studies at both home and abroad indicate that for public hospitals to be transformed into private hospitals, the prerequisite is a clear definition of property rights. Conglomeration, shareholding system and trusteeship can be adopted to achieve hospital transformation. The market-economy hospital management model of American hospitals, the privatization of British public hospitals and the dual structure of public hospitals and private hospitals in Singapore can be used as reference for China to improve its medical policies and achieve public hospital transformation.

Chapter 4: Process of Transformation of R Hospital and Characteristics of Organizational Culture at the Initial Stage After Transformation

This chapter, on the basis of summarizing information obtained through multiple channels, such as historical data, files and interviews, introduces the background for transformation of R Hospital, which includes the 48-year development history of R Hospital from its establishment to right before its transformation and the hospital environment, presenting instructions and requirements from the government in the process of transformation and the content of the ultimate transformation. Through content analysis, the major problems confronting R Hospital at the primary stage after transformation are identified to provide a realistic basis for cultural integration and reconstruction.

4.1 Background for Transformation of R Hospital

This chapter introduces the background for transformation of R Hospital by analyzing the general situation of R Hospital's development as well as the geographical and political environments of the province and city in which R Hospital is located.

4.1.1 Overview of R Hospital's Development

R Hospital, which was founded in 1958, is a 2A general hospital that integrates prevention, healthcare, rehabilitation, teaching and research. Since its founding, R Hospital, has successively won many honorable titles, including "Health Center in Ethical and Cultural Progress", one of the "Top 100 Hospitals in Ethical and Cultural Progress" and the "Bethune-style Advanced Collective in Guangdong Province" and has been awarded "Hospital in Ethical and Culture Progress" by SD Health Bureau over the last two decades. Since 1997, R Hospital has undertaken provincial

scientific research projects for many years and won the award for scientific and technological advancement at various levels. In recent years, another more than ten research projects have passed the appraisal for scientific and technological results and won the award for scientific and technological advancement in FS and SD respectively.



Figure 4-1 R Hospital in 2004

Since the 1990s, the scale of the hospital has been expanding rapidly. In November, 1990, the construction of the Examination Building was completed and the building was put to use. Shortly after, preparation was made for the construction of the General Hospitalization Building, which was completed on December 26, 1994 with a building area of 10,000 square meters. The government appropriated 30 million Yuan for its construction. There are altogether five floors in the building, which accommodates facilities such as wards for the Department of Internal Medicine, Department of Surgery, Department of Gynecology and Department of Pediatrics, Operation Room, Delivery Room, Conference Hall, Medical Records Room and Library. The use of the General Hospitalization Building basically alleviated the shortage of rooms in R Hospital and significantly improved the diagnosis and treatment environment for patients.



Figure 4-2 The Original Inpatient Building of R Hospital

In 2005, with the decision of the Street Office and the municipal government, R Hospital was transformed into a not-for-profit shareholding hospital. In July of the same year, R Hospital teamed up with a diversified G Group with 25 years of history, introducing modern advanced enterprise-style management in the hospital.

4.1.2 External Environment of R Hospital

(1) General Development Situation of Private Hospitals in China

By the end of 2011, the total number of medical health institutions in China had reached 954,389, an increase of 17,462 over the previous year. Among them, there were 21,979 hospitals, 918,003 grassroots medical health institutions and 11926 professional public health agencies. Compared with the previous year, the number of hospitals had increased by 1061, the number of grassroots medical health institutions had increased by 16,294 and the number of professional public health agencies had increased by 91. Of all the hospitals, there were 13,524 public hospitals and 8,437 private hospitals. According to the level, there were 1,399 tertiary hospitals (including 881 3A hospitals), 6,468 secondary hospitals, 5,636 primary hospitals and 8,467 ungraded hospitals. Based on the number of beds, there were 13,136 hospitals with less than 100 beds, 3,426 hospitals with 100 to 199 beds, 3,402 hospitals with 200 to 499 beds, 1,158 hospitals with 500 to 799 beds and 857 hospitals with more than 800 beds (*Statistical Bulletin on the Development of Health Services in China in 2011*, 2011).

Table 4-1 Statistics on Health Organizations in China in 2010 and 2011

	2011		2010	
	Public	Private	Public	Private
	Hospital	Hospital	Hospital	Hospital
Number of organizations	13542	8437	13850	7068
Number of beds	3243902	461270	3013768	373669
Health workers (10 thousand)	328.6	41.9	309.0	34.8
Number of treatments (100 million person times)	20.5	2.1	18.7	1.7
Number of inpatients (10 thousand)	9708	1047	9524	8724
Utilization rate of beds (%)	92.0	62.3	90.0	59.0
Average length of hospital stay of discharges (day)	10.5	8.5	107	8.4

Source: *Statistical Bulletin on the Development of Health Services in China in 2011*

(2) General Situation of Private Hospitals in GD Province

① Current development of private hospitals

Since the reform and opening up, private medical institutions have gained development to certain extent. At present, private hospitals can be found all over the country. Moreover, governments of many provinces and cities have even introduced policies to encourage non-governmental forces to raise money to establish hospitals. Both the development of medical services in private medical organizations and privatization of public medical organizations may influence the health system reform in the future. As the pioneer of medical reform, GD Province has offered a premium environment for the development of private hospitals. By 2012, the number of private hospitals in GD had reached 407, taking up 34.3% of the total number of hospitals in the province. Among them, the number of private hospitals in FS was 37, ranking the third (the number of private hospitals in GZ was 71 and that in Shenzhen was 52) and

taking up 9.1% of the total number of private hospitals in the province (Statistics of 2012 from Guangdong Provincial Health and Family Planning Commission, 2012).

Table 4-2 Institution, Bed and Staffing of Private Hospitals in Cities of GD Province

Region	Number of Organizations	Number of Beds	Number of Employees				Total
			Health Workers	Technicians	Administrative Staff	Logistic Workers	
Guangdong Province	407	34019	36510	2294	3379	6726	48909
Guangzhou City	71	5377	5846	471	626	1156	8099
Shaoguan City	12	351	277	9	28	58	372
Shenzhen City	52	4418	6930	427	670	1371	9398
Zhuhai City	26	1652	1212	107	146	203	1668
Shantou City	7	1104	1308	47	107	249	1711
Foshan City	37	3714	3908	194	302	792	5196
Jiangmen City	6	316	320	26	30	47	423
Zhanjiang City	17	918	853	32	83	91	1059
Maoming City	10	1213	1114	32	58	147	1351
Zhaoqing City	14	620	715	34	58	122	929
Huizhou City	35	2598	2582	91	190	390	3253
Meizhou City	4	235	227	15	7	15	264
Shanwei City	13	1182	718	39	77	71	905
Heyuan City	6	619	448	92	28	56	624
Yangjiang City	11	732	479	32	49	91	651
Qingyuan City	19	959	824	54	78	161	1117
Dongguan City	33	6142	6956	439	656	1279	9330
Zhongshan City	15	1018	1046	104	103	231	1484

Source: Statistics from Guangdong Provincial Health and Family Planning Commission in 2012

② Ranking in the Top 100 Private Hospitals

According to the private hospital survey data released annually by XX Institution, the places with the most number of private hospitals that had been shortlisted in 2013 were respectively GD, Jiangsu, Zhejiang and Beijing in the East and Henan in the central region (See Figure 4-3). The number of private hospitals in GD was 18, which was the most, equaling the previous year. The private hospitals were mainly concentrated in immigrant cities with highly developed private economy and a large migrant population, such as Dongguan (five private hospitals were shortlisted and the number of shortlisted hospitals was the most among non-municipality cities) and Shenzhen (four private hospitals were shortlisted). These cities have provided a sound room for development of private hospitals (*Hospital Observation*, 2013).

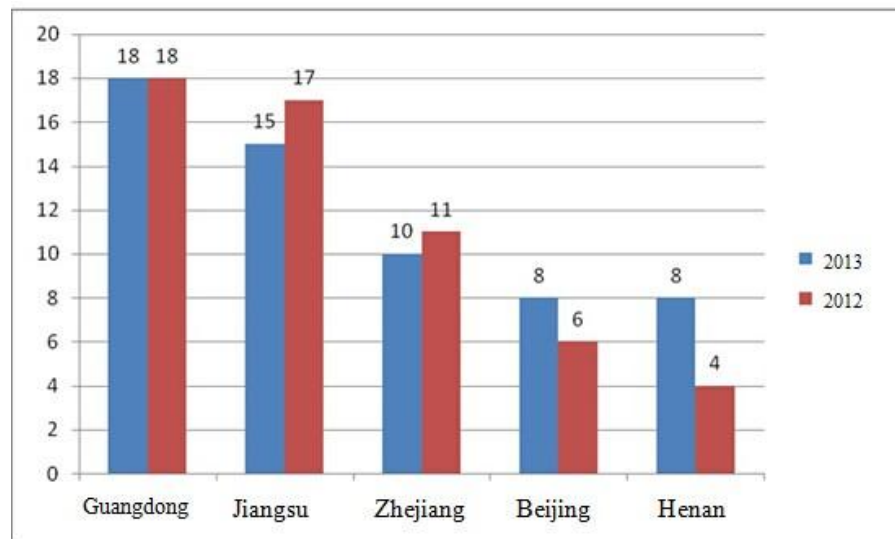


Figure 4-3 Distribution of “Top 100 Private Hospitals in China” in Different Provinces in 2012 and 2013

In 2013, the number of original private hospitals in the Top 100 Private Hospitals in China was 61, a decrease of three compared with 2012. The number of transformed hospitals increased by three. It takes three to four years for a hospital to get on track from construction to utilization and then to regular operation. Besides, there are thresholds for the application of medical establishment license. Thus, the efficiency is far lower than the shareholding transformation of public hospitals that

have a solid base among the public (*HospitalObservation, 2013*).

It was pointed out in the “Twelfth Five-Year-Plan” for Development of Health Services printed and distributed by China’s State Council in 2012 that cities with a large number of public hospitals can guide the investment of social capital in the transformation of some public hospitals including hospitals run by state-owned enterprises in multiple forms, actively yet prudently transform some public hospitals into non-public medical institutions, appropriately lower the percentage of public hospitals and promote the reasonable layout of public hospitals so as to set up a pattern in which hospitals are established and run in diversified forms. It can be predicted that in the future, more and more transformed hospitals will enter the list of Top 100 Private Hospitals in China (*HospitalObservation, 2013*).

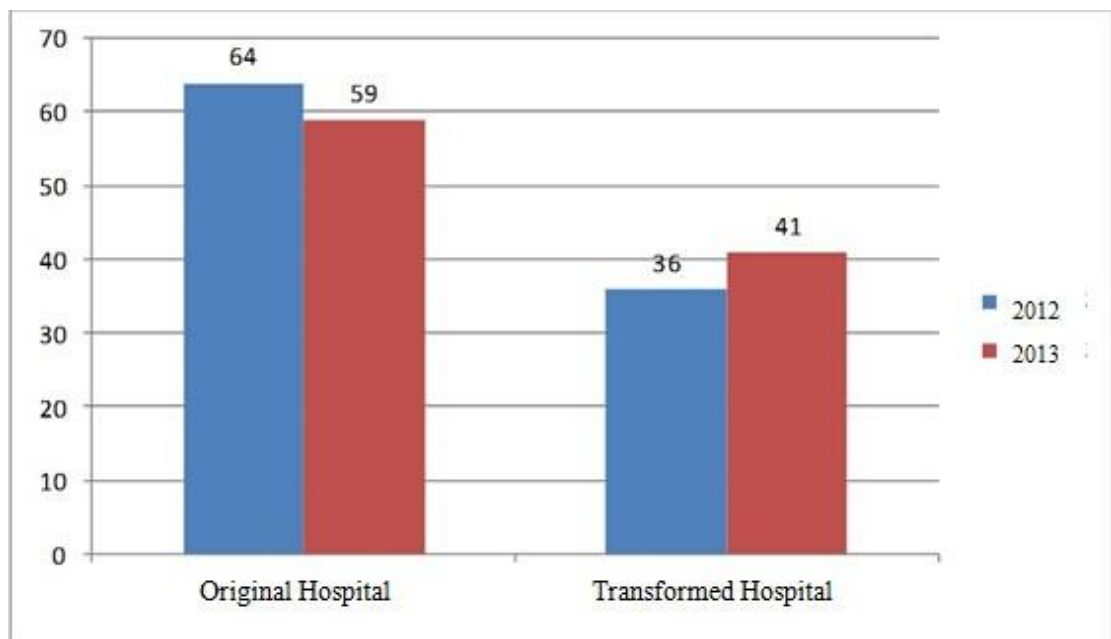


Figure 4-4 Changes of the Types of “Top 100 Private Hospitals in China” in 2012 and 2013

(3) General Development of Medical and Health Services in SD District

According to the statistics released in the “Twelfth Five-Year-Plan” for Development of Health Services in Shunde District (Shunde Government Office, 2011), by 2010, a new intensive tertiary medical and health service system led by

district medical institutions and with township (street) hospitals (community health service centers, similarly hereinafter) as the backbone and community health service stations as net bottom to provide comprehensive and multilayer medical and health services for the general public. There are altogether 579 medical and health institutions (including four health institutions) in the entire district. Among them there are 29 hospitals (17 general hospitals and 12 specialized hospitals), of which 15 are public hospitals (five district hospitals and ten township or street hospitals), one is collective-run hospital and 13 are private hospitals. Within the jurisdiction of the hospital, there are 85 medical outlets, 124 rural health stations, 127 enterprises and public institutions, 137 private clinics (outpatient departments) and 73 community health service stations of which 61 are established by the government and 12 are established by individuals.

4.2 Reasons for and Content of Transformation of R Hospital

Transformation of R Hospital is a directive from the government. The main content includes property rights transfer and staffing. The shares of the transformed hospital are owned by G Group, a local diversified enterprise. This has enabled the transformed hospital to become the first shareholding private not-for-profit medical unit transformed from public hospital in SD.

4.2.1 Reasons for Transformation of R Hospital

In 2000, the SD government combined R Town and Z Town into Ronggui Street. After the combination, there emerged two township hospitals owned by the two governments. In 2004, China's medical reform entered the stage of hospital property right reform with hospitals nationwide carrying out pilot transformation of public hospitals into private hospitals. SD, which had always been the pioneer of China's reform, was not willing to lag behind. At that time, most of the public enterprises in SD District had basically completed the shareholding system transformation and yielded very good social and economic benefits. Therefore, the government also

hoped to apply the successful transformation experience in medical and health services. With this purpose, the government introduced the competition mechanism to constantly upgrade medical technologies and enhance service quality amid competition and also hoped to accelerate the progress of medical and health services and alleviate the government's burden of investment by attracting social capital.

At that time, both the two hospitals needed a large quantity of investment for construction and transformation so as to significantly enhance hospital service environment and meet local residents' needs for medical services. To meet such demand, there were three choices: The first choice was merger. However, the cultures of the two hospitals were very different from each other. It would be very difficult for the two leadership teams to get along and cooperate with each other. The second choice was coexistence. Both the two hospitals were very old. A lot of investment was needed for infrastructure construction and purchase of new equipment. At the merger of the two towns, Z Hospital was operating on borrowings. Although R Hospitals had some balance, it did not have extra money for a makeover. The third choice was to transform one of the two hospitals and borrow private capital for development. After a comprehensive consideration of all factors, the government finally decided to retain both R Hospital and Z Hospital, with each operating on their own. Considering that there were two hospitals in one town in Ronggui Street, a pilot project was carried out to transform R Hospital into a private hospital. In May, 2005, a bidding was carried out by the Public Asset Management Office of the Sub-district Office. Group G participated in the bidding on invitation. After that, R Hospital became the first shareholding private not-for-profit medical unit transformed from public hospital in SD District.

4.2.2 Content of Transformation of R Hospital

(1) Property Right Transfer of R Hospital

In accordance with the spirit of the Guiding Opinions on Reform of Urban Medical System Reform (State Council General Office, 2002) issued by the General Office of the State Council and the Reply Notice on Agreeing on the Implementation

Plan of R Hospital's Shareholding System Transformation (Shunde Health Bureau, 2005), R Hospital was to carry out not-for-profit shareholding system transformation from 2005 and be officially transformed into a private hospital on July 1, 2005. In accordance with stipulations in the Implementation Plan of R Hospital's Shareholding System Reform and Property Right Transfer Contract, R Hospital would be a not-for-profit shareholding medical institution after transformation. Apart from alteration of equities, R Hospital shall continue to enjoy all the government's preferential policies on health services enjoyed by the original hospital.

(2) Staffing of R Hospital

After transformation, R Hospital became a not-for-profit shareholding medical institution. The hospital employees had severed labor relations with the hospital before transformation and became social persons. Hospital employees could participate in the subscription of hospital shares as shareholders and made appropriate compensation to employees, resigned personnel and retirees. Under the guidance and support of the district government and district health bureau, R Hospital specially mapped out the program for staffing of resigned personnel, retirees and staff on active duty to give employees appropriate economic compensation so as to ensure the rights and interest of them all.

(3) Collective Welfare Fund

At the initial stage after transformation, entrusted by the board of directors, the Hospital Administration Committee formulated R Hospital's collective welfare fund in accordance with the Management Charter on R Hospital's Collective Welfare Fund (hereinafter referred to as the Welfare Fund) with the main purpose of offering subsidies to employees with diseases and financial difficulties, helping employees in their study and covering additional retirement and old-age support. The Welfare Fund consists of four parts. First, caring fund. It took up 4% of the Welfare Fund and was used to help employees with chronic diseases and major diseases and those in extreme poverty (those who were unable to meet the minimum living standards defined by the

government). Second, student fund (development fund). It accounted for 21% of the Welfare Fund and was used for recruiting high-caliber technical personnel and enhancing the professional skills of on-the-job staff. Third, additional retirement and old-age fund. It took up 65% of the Welfare Fund and was used to provide additional old-age protecting for employees who had signed labor contracts with the hospital and had worked in the hospital till they reached the legal retirement age. Fourth, risk reserve fund. It accounted for 10% of the Welfare Fund and was used as risk reserve for the above three funds.

(4) Profit Distribution of Employees and Shareholders

Measures were to be taken to effectively guarantee employees' rights and interests and the interests of investors. The distribution principle of "efficiency first and fairness considered" was complied with. The efficiency-based wage system and the system of annual wage plus incentive could be implemented among employees after hospital transformation. The specific ways of distribution shall be determined in the shareholder meeting. After transformation, under the precondition that the operating income of the hospital was not lower than that before transformation, it shall be guaranteed that the wages of employees would not be lower than those before transformation within three years. And after that, employees' wages were to be gradually raised based on their business growth and hospital earnings. The original wage scale may be included in the archive as the base for social insurance fund. Sixty percent of the hospital's balance was to be used as hospital development fund, ten percent as hospital collective welfare fund and 30% as hospital shareholder dividend fund.

(5) Purchase of R Hospital's Equity

After R Hospital was transformed into a private not-for-profit shareholding medical institution, G Group (with 49% of the total shares) became the legal shareholder and 304 hospital workers (with 51% of the total shares) as individual shareholders.

Table 4-3 Shareholding of R Hospital at the Initial Stage After Transformation

Number	Type	Number of People	Percentage
1	Purchase shares upon transformation	304	45.8%
2	Give up shares	359	54.2%
3	Transfer shares	0	0
4	Continue to hold shares after demission	3	0.45%

4.2.3 Introduction to Group G, Controlling Shareholder of R Hospital

G Group, which was originally founded in 1980 and located in GD Province, is a provincial private enterprise of high and new technology. After 30 years of development, it has now become a diversified enterprise with diverse modes of operation such as whole ownership and share holding with business scope covering industries such as telecommunication cable, mechanical equipment, golf, financial escort, medical and health services and real estate. G Group is a family business. It has roughly gone through four stages of development:

(1) Organizational culture characteristics during the business startup period (1980-1984)

During the business startup period, G Group's main scope of business was machinery parts processing. The development features of this period were: The management mode was workshop-style operation. Control of product quality by means of technological innovation was initially achieved. Internal management was promoted through customer information feedbacks. A basic foundation was laid for the business philosophies of hard work, boldness to challenge oneself, credibility and emphasis on quality.

(2) Organizational culture characteristics during the brand establishment period (1985-1991)

The development features of the brand establishment period was the gradually

breakaway from workshop-style operation and initial formation of division of responsibilities in technology, business and management; however, there was no tendency towards establishment of a powerful institutionalized management mode. A culture type characterized by solidarity and collaboration, collective leadership, complementary advantages, tolerance and understanding and emphasis on kinship feelings) was basically formed.

(3) Organizational culture characteristics during the diversified development period (1992-1999)

During the business startup period, the company went through a series of leapfrog development. Institutions and standards were gradually introduced and the organization was gradually structured in the internal management. The control model of “two points one line” was gradually explored in management thinking. In other words, efforts were to be made to expand market and develop technologies at the two ends and tighten quality control in the middle. At this stage, the enterprise culture construction in the company was progressing with sound momentum, which played an important role in aspects such as strengthening cohesion among employees, boosting the morale of employees and fostering a sound soft environment for the internal management of the company.

(4) Organizational culture characteristics during the new business startup period (so far in 2000)

By the end of the time when this thesis was written, G Group had already developed into a diversified enterprise with its scope of business covering industries such as telecommunication cable, mechanical equipment, golf, financial escort, medical and health services and real estate. Besides, the enterprise was supported by two major modules, namely, industrial companies and medical health maintenance technology companies, which implemented the core of the enterprise culture characterized by benevolence among subordinate organizations so as to form a consistent cultural system in the group company.

4.3 Structure of R Hospital's Organization, Leadership and Staff at the Initial Stage After Transformation

4.3.1 Structure of R Hospital's Organization and Leadership

The leadership of R Hospital consists of one president and three to four vice presidents. Up to now since transformation, three people have successively served as the president of R Hospital (2005-2008 , 2008-2010 , 2010 to date). R Hospital's leadership team is mainly composed of doctors who also work as part-time leaders. The doctors who also work as part-time leaders of the hospital have at least 16 years of clinical experience. Most of them have more than 20 years of experience. Most hospital leaders were less than 50 years old at the initial stage after transformation and most of them were male with professional clinical medicine background. The majority of hospital leaders have a master degree in Medicine. The incumbent president has a doctor degree. From assumption of duty as director or section chief (including deputy chief), most leaders have more than ten years of administrative work experience.

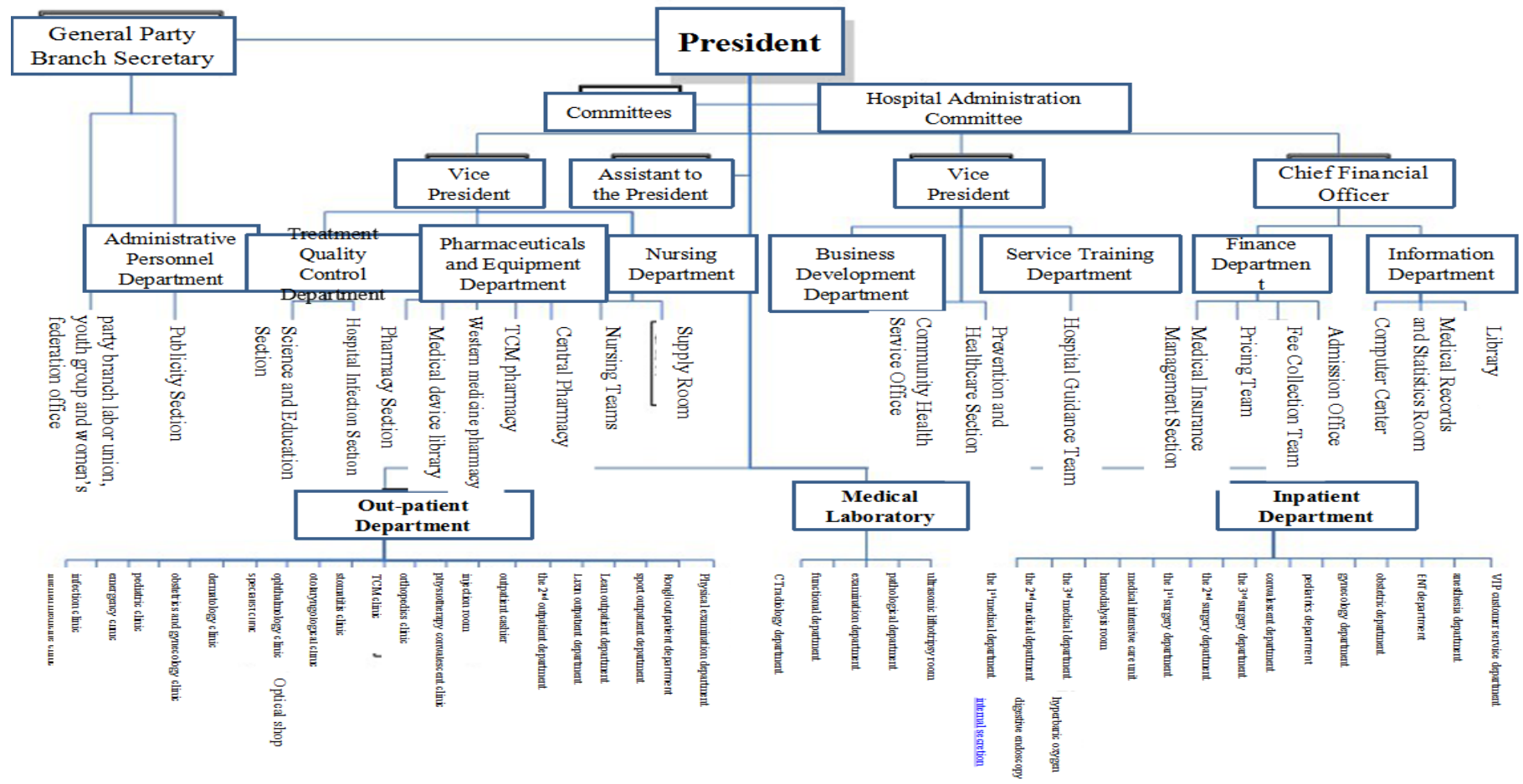


Figure 4-5 Organizational Structure of R Hospital at the Initial Stage After Transformation

From the perspective of leadership characters, when SD government was considering carrying out transformation management of the two hospitals, due to the looseness of management in Z Hospital, chaotic management frequently occurred where employees constantly filed complaints against hospitals leaders to the government, whereas the leadership of R Hospital was united. The then president M of R Hospital adopted tough management. Thus middle-level managers and employees were all obedient. Considering that R Hospital was easy to control and manage, the government finally chose R Hospital as the demonstration unit for medical institution transformation.

4.3.2 Staff Structure of R Hospital at the Initial Stage After Transformation

At the initial stage after transformation in 2005, most employees in R Hospital were the personnel under the original system. The total number was 411, 112 of whom were doctors, 48 medical technicians, 156 nurses, 37 pharmacists, 16 administrative staff, ten financial staff and 32 logistics personnel. After transformation, with penetration of some advanced managerial experience in the business management, G Group adopted more flexible measures to recruit, train and retain staff. Under the premise of abiding by relevant laws and regulations, coexistence of diverse employment forms resolved the lack of staff on the one hand, and significantly lowered human resource cost on the other hand.

Table 4-4 Staffing of R Hospital at the Initial Stage After Transformation in 2005

Specialty	Doctor Line		Medical Laboratory		Nursing Line			Pharmacist	Administrative Functions	Finance and other functions	Other lines in logistics			Total
	Doctor	Assistant doctor	Doctor	Technician	Nurse	Nursing Assistant	Caregiver				Fee collection	Other workers	Logistical and security personnel	
Number of people	112	0	32	16	149	6	1	37	16	10	19	9	4	411

The following are distributions of employees' professional titles and educational

background at the initial stage after transformation.

(1) Professional titles

Table 4-5 Number of Professional Titles in 2004

		Western Medicine Doctor	TCM doctor	Nurse	Medical technician	pharmacis t	Other doctors and nurses	Total
Senior title (deputy director and above)	367	37	5	1			3	46
Intermediate title (physician-in-charge)		48	3	32	3	4	2	92
Junior title (practitioner)		32	5	88	8	31	6	170

(2) Educational Background

Table 4-6 Comparison Between Health Works and Medical Technicians with College Degree and Above From 1990 to 2004

Year	Total Number of Health Technicians	Postgraduates		College Graduates		Junior College Graduates	
		Number of People	%	Number of People	%	Number of People	%
1990	251	0	0	8	3.2	11	4.4
2000	276	8	2.9	81	29.3	77	27.9
2004	308	8	2.6	102	33.1	118	38.3

4.4 Group Behavior Characteristics of Staff of R Hospital at the Initial Stage After Transformation

The group behavior characteristics of employees tend to have a direct impact on an organization's stability and development (Schein, 1994; Robbins, 2005). At the initial stage after transformation, the employees of R Hospital had some group psychological and behavioral features that would lead to internal instability of the hospital and affect the development of R Hospital at the initial stage after

transformation.

4.4.1 Widespread Concern Over Such Welfare as Retirement Protection

Before transformation, R Hospital had severed labor relations with all employees and put an end to the identity of them as employees of public institution. After transformation, employees were transformed into private enterprise workers from “masters of the country” that worked for state-owned enterprise. Thus, employees were concerned over and sensitive about the original welfare system and cared very much about their retirement protection. Since the majority of the employees did not have a thorough understanding of the Retirement Pension Scheme implemented on January 30, 2007, they were generally concerned about their retirement protection, which undermined the morale and stability among employees. After transformation, some hospital employees who were not well-prepared found it hard to accept such rapid reform of hospital transformation. They panicked in the face of the medical and research pressure after the hospital was transformed into a private hospital. In particular, they were afraid that they would be eliminated as a result of their inability to adapt to the new competitive environment. Because of this, they felt nervous, anxious, panic-stricken, disappointed and scared. Due to various reasons, some employees planned to leave R Hospital one after another to pursue other ways of personal development. The employees who did not leave demanded higher wages, took an interest in the internal distribution system and called for a public and transparent distribution system. Employees had an enhanced right-protection awareness and showed an especially keen interest in welfares such as maternity benefits, holidays and overtime allowance.

4.4.2 A Weak Sense of Collectivism

Employees had a weak sense of collectivism, participated little in hospital activities but were active in activities of personal enhancement. They were reluctant to participate in gratuitous treatment, recreational and sports activities, party and league activities and vocational study. After transformation, the number of

research subjects applied by the hospital reduced. The planning for application of subjects were also undermined. As a result, the hospital missed many opportunities to obtain scientific research subjects, which reflected badly on the bid acceptance probability and number research subjects as well as the amount of money received for carrying out research subjects of the hospital as a whole.

4.4.3 Lack of Identification With Operational and Management Philosophy of Private Hospitals

As R Hospital was founded in the age of planned economy, it is more or less influenced by the idea that there is no difference in having more or less work done. In the socialist market economy, its service awareness was far from enough. Plus, the attitudes of its doctors and nurses were bad. This led to strained relations between doctors and patients and resulted in quite a lot of complaints filed by patients. What's worse, the number of patients who came to seek treatment in the hospital were also on the decrease day by day. All these showed that the effectiveness of transformation was far from satisfactory. After G Group held the shares of R Hospital, it introduced the advanced enterprise management models into hospital management, such as fine management and total cost accounting. The majority of employees, who held that this practice run against the hospital's mission of saving lives and treating diseases, excessively pursued economic benefits and neglected the fulfillment of social responsibilities, resisted the management measures introduced by the hospital with the purpose of raising efficiency. It was hard to implement the new management system and work patterns which tended to generate resistance from the employees.

4.5 Major Problems in R Hospital at the Initial Stage after Transformation

After transformation, R Hospital developed stably yet slowly. Since the majority of employees were still employees of the original public hospital who had not transformed their ideas, they were unclear about the development vision of the

hospital and lacked consensus on the strategic objective after transformation. To be specific, employees had an unstable mentality and worried about their career prospect and retirement protection; the hospital suffered from lack of cohesion, weak executive force and absence of a sound organizational culture system. In the current medical market characterized by fierce competition, there is a major crisis for the hospital's competitiveness and sustainable development.

4.5.1 Unclear Understanding of the Hospital's Development Vision

After transformation, there was a trust crisis in the organization among the employees of R Hospital. They had a weaker sense of security. The change of identity resulted in the instable mindset of employees and unclear understanding of the hospital's development prospect.

(1) Trust Crisis

Before transformation, employees were not sensitive about the timeliness of salary payment, with almost no one showing any interest in it. However, after transformation, even when salary payment was delayed due to holiday postponement, many employees would make inquiries through phone calls and the OA cooperative office system or make speculations. Employees also showed a particular interest in the welfare package and distribution, such as travel expenses, medical examination fees and disease consolation money. Besides, employees tended to make collective appeals to the office in the form of joint letter. On the one hand, due to the property rights transfer, the new property rights owner had not established a solid relationship of trust with the employees. On the other hand, most small private hospitals adopted the commercial practice of pursuing profits in hospital operation, which disrupted the normal competition, damaged the social image of private hospitals and put the hospital in a dilemma in establishing hospital brand through permanent operation. The direct result was an increase of management cost and the indirect impact was a decline of hospital cohesion.

(2) Unstable Mindsets of Employees

Employees had a certain sense of disappointment with the change of their identity after hospital transformation, which also resulted in the difficulty of attracting talents. With the development of private hospitals, the contradiction between the demand for high-end clients and the lack of professionals became increasingly obvious. Professional title appraisal of doctors and nurses in private hospitals still could not be resolved, which also led to the lack of talents in private hospitals. Employees were troubled by unstable mindsets and were worried about their career prospect and retirement protection. After transformation, employees were disoriented as to whether the hospital could survive and how it would develop. Some employees thought that they no longer had the sense of being masters as before and no longer enjoyed the superiority of working in a state-owned enterprise. Instead, they would have to work for their “boss” and please their “boss”. They might lose their job if they make any mistake. As a result, their sense of security greatly reduced.

4.5.2 Absence of Consensus on Strategic Objectives

At the initial stage after transformation, the failure to implement and solidify smooth communication channels and sound institutions in the short term resulted in the lack of consensus on the strategic objective in work.

(1) Difficulty of Communication

There were some communication problems between different departments as they had no connection in work and there was no channel and platform for sound communication between departments; communication between superiors and subordinates was even worse with no regular mechanism and no official communication channel between the board of directors and hospital staff. The long spacial distance between directors and subordinates will reduce the chances for face-to-face communication between them, which will not only result in misunderstandings or lack of understanding of the message, but also make it difficult to clear up the misunderstandings between directors and subordinates, thus

undermining effective communication.

(2) Poor Executive Force

The nontransparent policy environment of private hospitals has resulted in decision-making difficulties for the board of directors and management. Although there were comprehensive and detailed regulations in the hospital, many of them had not been thoroughly implemented. The main cause of the problem can be attributed to the unfamiliarity caused by unclear definitions of rights and responsibilities between departments and staff turnover. The advantage of professionalism was fulfillment of duties. However, when the boundaries within an organization are blurring and the rights and responsibilities are hard to define, the embarrassment of the lack of management would easily occur, which also leads to certain medical risks.

4.6 Chapter Summary

R Hospital's transformation and development, which happened to be in the period of China's medical and health system reform and also the period of rapid development of the city's society and economy as well as medical and health services, was an act that went with the tide. R Hospital's transformation was a mandatory requirement of the government. The content of transformation included property rights transfer and staffing as well as joint collaboration with the diversified G Group, which introduced modern advanced enterprise management in the hospital.

R Hospital, which boasts a history of 48 years, has formed certain organizational culture basis. Yet comparatively speaking, it does not have the capacity to form a strong culture. Change of the property rights owner might result in conflicts over organizational culture. In the case study of the present research, the organizational culture of the transformed hospital at the initial stage after transformation was characterized by lack of cohesion, uncertainty, and a strong sense of risk avoidance, which resulted in instability, difficulty of management and tendency towards getting out of control. Doctors who are also part-time hospital leaders are the majority of R Hospital's leadership. The case study shows that in

China, hospital leaders should be medical experts with both medical background and management background. Only in this way can they adapt to the internal and external competitive hospital environments and be capable of leading the hospital to innovate, reform and develop rapidly. The group behavior characteristics of the employees of R Hospital at the initial stage after transformation include: First, concern over retirement protection after transformation; second, lack of collective spirit; third, lack of identification with operational and management philosophy of private hospitals. Major problems that exist after transformation of R Hospital include unclear understanding of the Hospital's development vision and lack of consensus on the strategic objective. The latter is mainly reflected in the staff's unstable mindsets and concern over their career prospect and retirement protection, decreased hospital cohesion and poor executive force.

Chapter 5: Organizational Culture Integration and Reconstruction of R Hospital After Transformation

This chapter introduces the organizational culture integration and reconstruction of R Hospital after transformation. Through a strategic macro control and organizational culture coordination, R Hospital has gradually formulated its own development strategies and a “UFO-model” organizational culture. After eight years since its transformation, R hospital has yielded sound development results, mainly reflected in the better staff structure as well as increased satisfaction both internally and externally, laying a solid foundation for sustainable development.

5.1 Strategy of R Hospital After Transformation

After transformation, R Hospital has continuously introduced new management tools and means under the management of G Group. Through SWOT analysis and a combination of elements of traditional Chinese culture including “the way, heaven, earth, command, as well as rules and regulations”, R Hospital has determined a development strategy that suits its own development.

5.1.1 SWOT Analysis of R Hospital

(1) Strengths

In terms of property right system, the form of property right of private hospitals is shareholding system with clear property rights and legal person structure, which has become the driving force for the development and management standardization and marketization of private hospitals. As to operating mechanism, private hospitals adopt flexible means of operation and suffer less administrative interference. Private hospitals with strong market awareness and high degree of independence have sound operating mechanisms which enable them to be immune from the regional restrictions suffered by public hospitals. State-owned hospitals are large in scale and offer a wide

range of services, which cause them to be unable to cater to details, pursue profundity and excellence. In terms of marketing, the strategic positioning of state-owned hospitals is niche market. The focus of marketing strategies is clear, the marketing mechanisms and marketing means are flexible and diverse and the recruitment and management of marketing personnel are convenient and flexible, with a number of leading academic leaders.

(2) Weaknesses

State-owned hospitals boast rich experience in management and also enjoy advanced technologies, large scale and brand advantage. However, the medical services in state-owned hospitals are not as good as those in public hospitals. Besides, the former falls significantly short of the latter in terms of resource management, technology, human resources, asset accumulation and the scale of fixed assets. In addition, state-owned hospitals do not have clear distinctive specialties, suffer from a lack of professional and technical personnel, poor executive force of hospital culture, weak cohesion, and a dumbbell-type talent structure characterized by many at each extreme and few in between.

(3) Opportunities

With the rise of people's living standards, people's health consciousness is also improving. The ideas of pursuing high quality life and valuing health has gradually formed among the public. People's needs for different medical services have manifested more and more strongly. The urban medical insurance system has been constantly optimized. And medical insurance companies will become the biggest client of all hospitals. In September, 2009, the Ministry of Health issued the Notice on Relevant Issues Concerning Multi-sited License of Physicians and set forth relevant regulations therein. In July, 2011, the Ministry of Health issued another notice to expand the pilot areas to all provinces in China while lowering the standards by lowering the qualification for application of doctors from the previous deputy senior title and above to intermediate title and above. In accordance with Article 19 of the *Program*: "Private hospitals shall receive the same treatment as public hospitals in aspects such as designation of health insurance unit, scientific research project,

professional title appraisal and continuing education; the same standards shall also apply to private hospitals in such aspects as service admission, supervision and management. Tax preferential policies for not-for-profit hospitals shall be implemented and the tax policies for for-profit hospitals shall be improved.”

(4) Threats

In terms of macro policies, R Hospital cannot enjoy the financial subsidy allocated by the government. In both tax management and health administration, requirements on state-owned hospitals are loose whereas those on private hospitals are strict. As to industry rivalry, with the development of private hospitals and sound operation results, plus the improvement of the government’s policies to support the development of private hospitals, more and more capital will be invested in the medical market and the competition between private hospitals with the same conditions will be increasingly fierce. With the enhancement of people’s cultural quality and legal consciousness, patients will raise higher requirements for the technologies and services offered by hospitals. Any dissatisfaction will probably lead to medical disputes. Some private hospitals only care about the immediate interests and lack medical ethics, resulting in the loss of integrity of private hospitals among the public.

5.1.2 Strategy of R Hospital

It was noted in *Strategies* by Sun Tzu that: “War is a question of vital importance to the state, a matter of life and death, as well as the road to survival or ruin. Hence, it is a subject which calls for careful study. To assess the outcome of a war, we need to examine the belligerent parties, and compare them in terms of the following five fundamental factors: The first is the way (dao 道); the second, heaven (tian 天); the third, earth (di 地); the fourth, command (jiang 将); and the fifth, rules and regulations (fa 法).” “There is no general who has not heard of these five factors. Yet it is he who masters them that wins and he who does not that loses”. In the present thesis, R Hospital’s strategies are analyzed and identified from these two aspects, namely, “the way, heaven, earth, command, as well as rules and regulations”.

(1) “The way” of R Hospital’s strategies

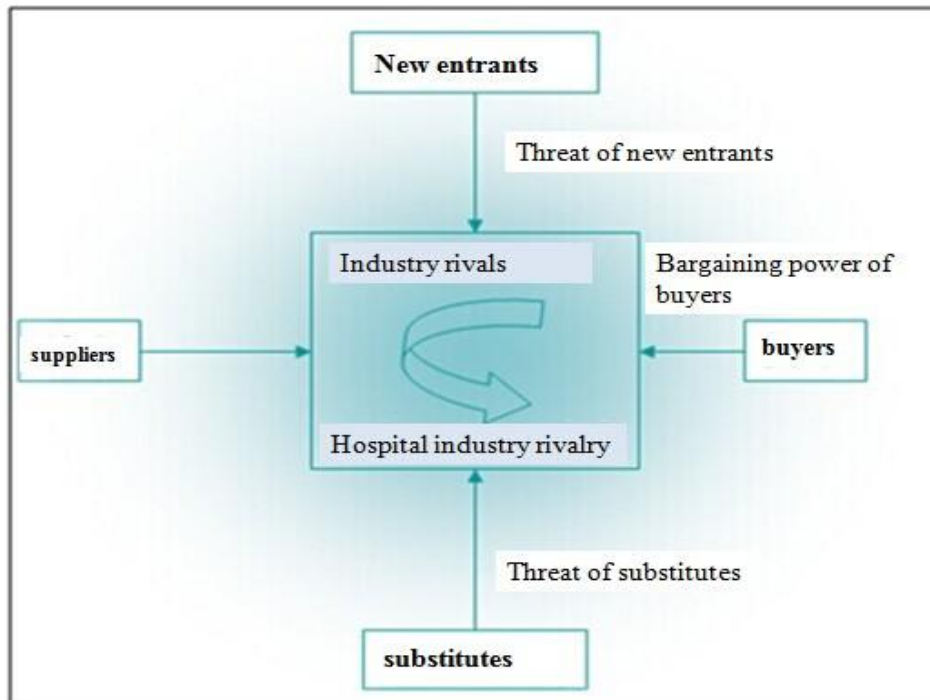
“The way” refers to moral influence, or that which causes the people to think in line with their sovereign so that they will follow him through every vicissitude, whether to live or to die, without fear for mortal peril. Thus, the army is animated by the same spirit throughout all its ranks (Sun Tsu). To answer the question that whether employees are willing to share the same destiny with the hospital, organizational culture is the most explicit explanation of “the way”. R Hospital has established the core values of practicing benevolence and benefiting society. It has externalized its core values into the organizational mission of saving lives, treating diseases and promoting health, and manifested this mission into the spirit of rigorousness and standard, fraternity and collaboration, credibility and dedication, as well as innovation and curiousness from the four orientations, namely, support orientation, rule orientation, innovation orientation and goal orientation. By doing so, it has ultimately achieved the organizational vision of establishing a century-old brand hospital in South China and ensured that employees share a common destiny with the hospital.

(2) The “heaven” of R Hospital’s strategies

“Heaven refers to the effects of night and day, of good and bad weather, of winter’s cold and summer’s heat.” In this thesis, a PEST analysis of the macro environment is conducted. On the political (P) front, the three documents aimed at strengthening construction of the medical service system, namely, the Opinions on Implementation of Classification Management of Medical Institutions issued in 2000, the Guiding Principles for the Planning of Establishment of Medical Institutions (2009) and the Twelfth Five-Year Plan, confirmed the adherence to the principle of taking the not-for-profit health care institutions as the main body, for-profit health care institutions as the supplement, with the state-owned institutions playing a leading role, while non-state-owned health care institutions making synergies in the development. It can be seen that the government’s policies are obviously in favor of private hospitals. Differentiation, service capacity and cost control ability will become key factors in competition. Channels for referral and resource sharing with grassroots medical institutions and excellent 3A hospitals call for urgent expansion. Medical insurance institutions will become one of the most important clients of hospitals and

second and third-tier cities will become the main market of private hospitals. On the economic (E) front, the overall economic situation is stable and the economic environment for hospital development is sound. However, uncertainties in the economic situation make the author reduce irrelevant diversified investment and resort to external cooperation to spread risks instead. At the social (S) level, residents will continue to increase input in health protection services, in particular, special and high-end medical services. Besides, with the gradually increasing proportion of “geriatric diseases” such as cardiovascular and cerebrovascular diseases, respiratory diseases and chronic diseases, rapid increase is expected to occur in industries specialized in old health preservation and medical services. At the technological (T) level, the medical service model will transform from the one characterized by the sheer use of technologies for physical treatment to the one characterized by all-round services for patients that meet their physiological, psychological and social needs. The technological level of hospitals will become the key factor for competition.

From the micro view of industrial analysis, China’s medical and health care market generated a turnover of RMB one trillion Yuan in 2008, taking up 4.2% of the GDP (Ministry of Health, 2008). This percentage was 8% to 10% in Europe and 15.4% in the United States. It is estimated that by 2020, China will become the second largest medical market in the world, second only to the United States. It will enjoy huge room for development (Hand-in-hand Health Website, 2012). In the following five years, intensified competition between hospitals will become the main factor affecting the industry development. In the future, private hospitals, which will be confronted with dual competition from public hospitals and private hospitals of the same kind, will need to identify their core competitiveness amid the dual competition. Patients will enjoy greater convenience in choosing hospitals and doctors.



Competitive Forces	Threat to Income (currently)	Threat to Income (in the following 5 years)
Hospital rivalry	High	High
New entrants	Medium	High
Substitutes	Low	Low
Power of suppliers	Relatively high	Medium
Power of buyers	Medium	High

Figure 5-1 Five Forces Analysis of Hospital Industry

(3) The “earth” of R Hospital’s strategies

“Earth refers to distance, whether it is great or small; the terrain, whether it is treacherous or secure; the land, whether it is open or constricted; and the place, whether it portends life or death.” By choosing Mayo Hospital, Wuhan Asia Heart Hospital, Beijing United Family Hospital, Chang Gung Hospital and Foshan Chancheng Central Hospital as external benchmarks, R Hospital summarizes the eight key factors of success, namely, famous doctors, medical equipment and technology, brand, service capacity, management ability, information system, medical

environment and hospital culture. It has discovered that from the “double owners” and relative monopoly of public hospitals, aggregation of subdivided disciplines and differentiated operation are the only key to R Hospital’s development. On this basis, it determined to establish key, specialized and basic departments from three dimensions, namely, technology, service and marketing. Through the model of developing a batch, cultivating a batch and selecting a batch and guided by innovation in idea, technology, service, management and process, R Hospital aims to make use of G Group’s international medical network resources, vertically integrated customer resources and chain operation cost leadership resources to integrate the development directions of differentiation and enlargement of scale. In this way, it hopes to achieve sharing of economic and social benefits and ultimately realize the vision of establishing R Hospital into a century-old brand hospital in South China.

Table 5-1 Analysis of External Benchmarks of R Hospital

Number	Key Critical Success Factors	Weight	Mayo Clinic	Chang Gung Hospital	Wuhan Asia Heart Hospital	Beijing United Family Hospital
1	Famous doctors	20%	5	5	5	3
2	Medical equipment and technology	15%	5	5	5	4
3	Brand	15%	5	4	4	4
4	Service capacity	15%	5	4	3	5
5	Management ability	10%	5	5	4	4
6	Information system	10%	5	4	4	3
7	Medical environment	10%	5	3	3	4
8	Hospital culture	5%	5	3	3	4
	Total scores		5	4.3	4.05	3.85

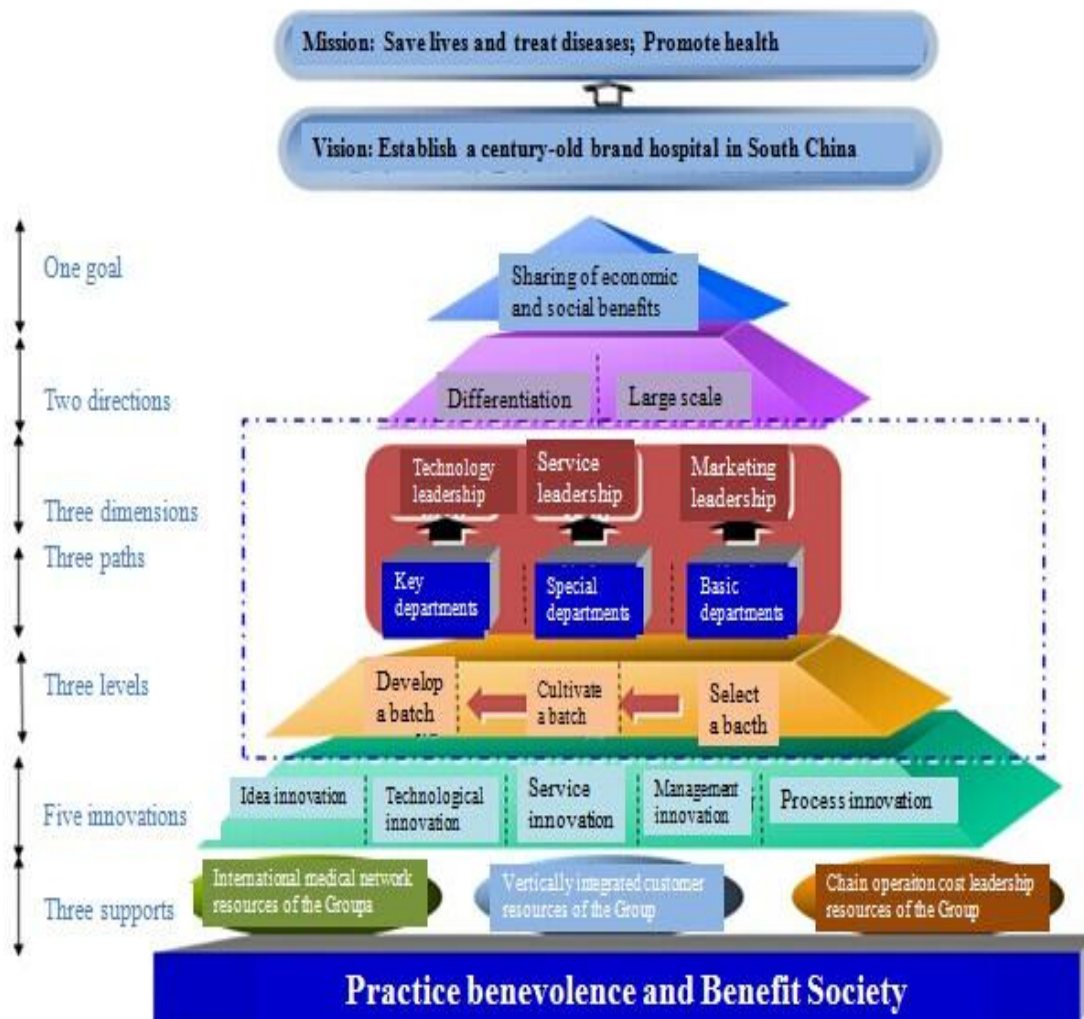


Figure 5-2 Strategic Map of R Hospital

(4) The “command” of R Hospital’s strategies

“Command refers to the wisdom, trust-worthiness, benevolence, courage and firmness of the commander.” R Hospital has established a dual-track promotion channel, which enables its management experts and medical professionals to combine together in an organic manner to promote the hospital’s development. Appropriate “commanders” are chosen in a targeted manner based on the positioning of the hospital and departments. In terms of group structure, the management group is subdivided into three teams, respectively for treatment, nursing and operations, supplemented by arrangement of organizational structure.

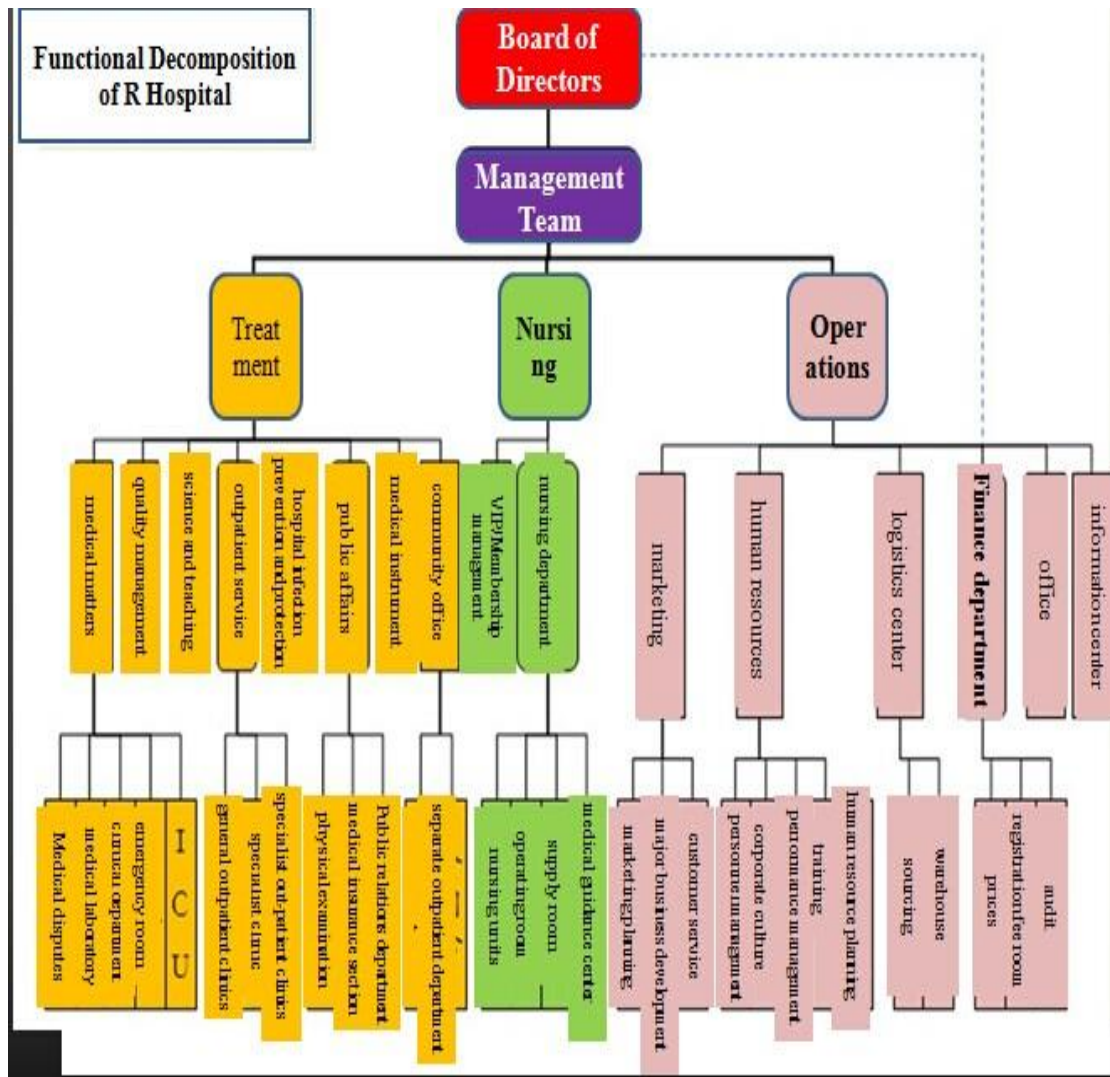


Figure 5-3 Functional Decomposition Diagram of R Hospital

(5) The “rules and regulations” of R Hospital’s strategies

“Rules and regulations refer to the principles guiding the organization of army units, the appointment and administration of officers and the management of military supplies and expenditures.” They are reflected in R Hospital’s strategies as the strategy implementation map focusing on the key performance areas.

Strategy Implementation Map of R Hospital: Key Performance Areas

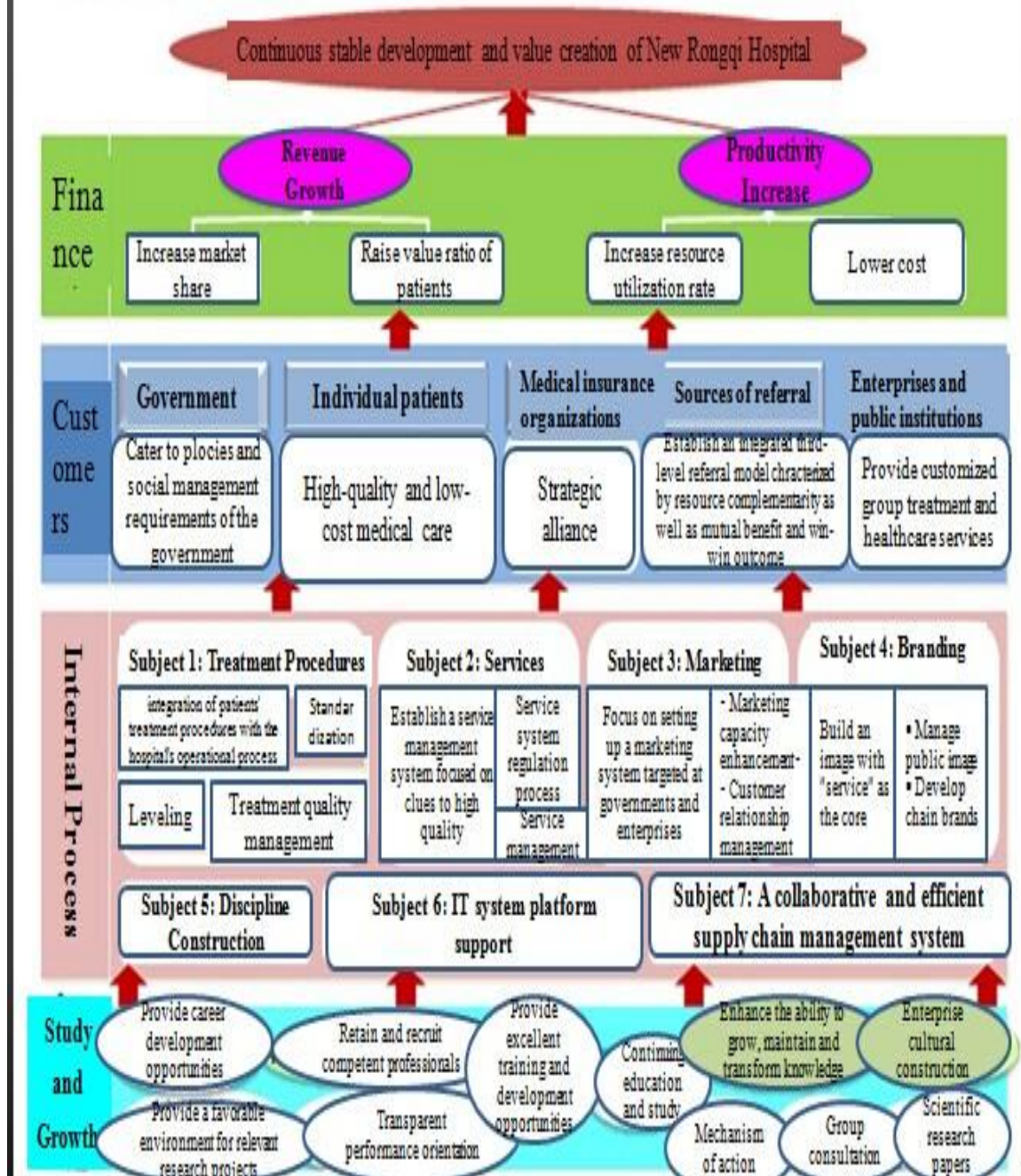


Figure 5-4 Strategy Implementation Map of R Hospital: Key Performance Areas



Figure 5-5 Strategy Implementation Path of R Hospital

5.2 Organizational Culture Integration of R Hospital After Transformation

R Hospital is a subordinate controlling institution of G Group. Its culture after transformation has inherited the core value system of G Group and integrated a cultural system with its own characteristics on this basis.

5.2.1 Cultural System of G Group, Controlling Shareholder of R Hospital

In 2004, G Group cooperated with the consulting group of the College of Business Administration of a 985 university to carry out research in R Hospital's enterprise cultural project. After one year of field interviews, informal discussions and investigations, R Hospital's enterprise culture was extracted and summarized, and G Group's cultural development program was also formulated.

(1) G Group's mission and vision

Enterprise mission indicates the purpose and value of an enterprise's existence, whereas vision describes the direction where an enterprise strive to pursue. G Group takes the success of employees and customers as the biggest value and honor. It advocates the enterprise culture with "benevolence" as the core, cares for employees sincerely, regards the growth and development of employees as its responsibility, strives to foster an environment that stimulates employees' potentials and help employees to achieve success, provides employees with career development platforms and creates greater room for development, and encourages employees to make constant efforts to improve themselves so as to raise employees' overall quality and living standards. Based on the principle of "integrity and win-win outcome", R Hospital has formed a community of enterprise and interests with customers. G Group's vision is: Gain a foothold in China before marching into the global market. Strive to establish an international brand hospital with a century-long history.

(2) G Group's cultural map

G Group's cultural map fully presents G Group's cultural value system. Intersection of the warp and the weft has divided the cultural map into four quadrants. The warp direction represents internal operation and external development, whereas the weft direction represents flexibility and independence as well as process monitoring. The center of the cultural map is the core value: Benevolence. Surrounding "benevolence" are the "four central ideas". The four basic principles of G's culture are: sincerity and care, precision and high efficiency, integrity and win-win, as well as passion and transcendence. The four principles respectively derive their own elements of value. These elements of value reflect G's perspective on quality, perspective on service, perspective on talents, perspective on teamwork spirit, perspective on process, perspective on institutions, perspective on management, perspective on society, perspective on innovation and perspective on development. The four principles closely link with each other and form a trend of spiral escalation, jointly pushing G Group to develop continuously.

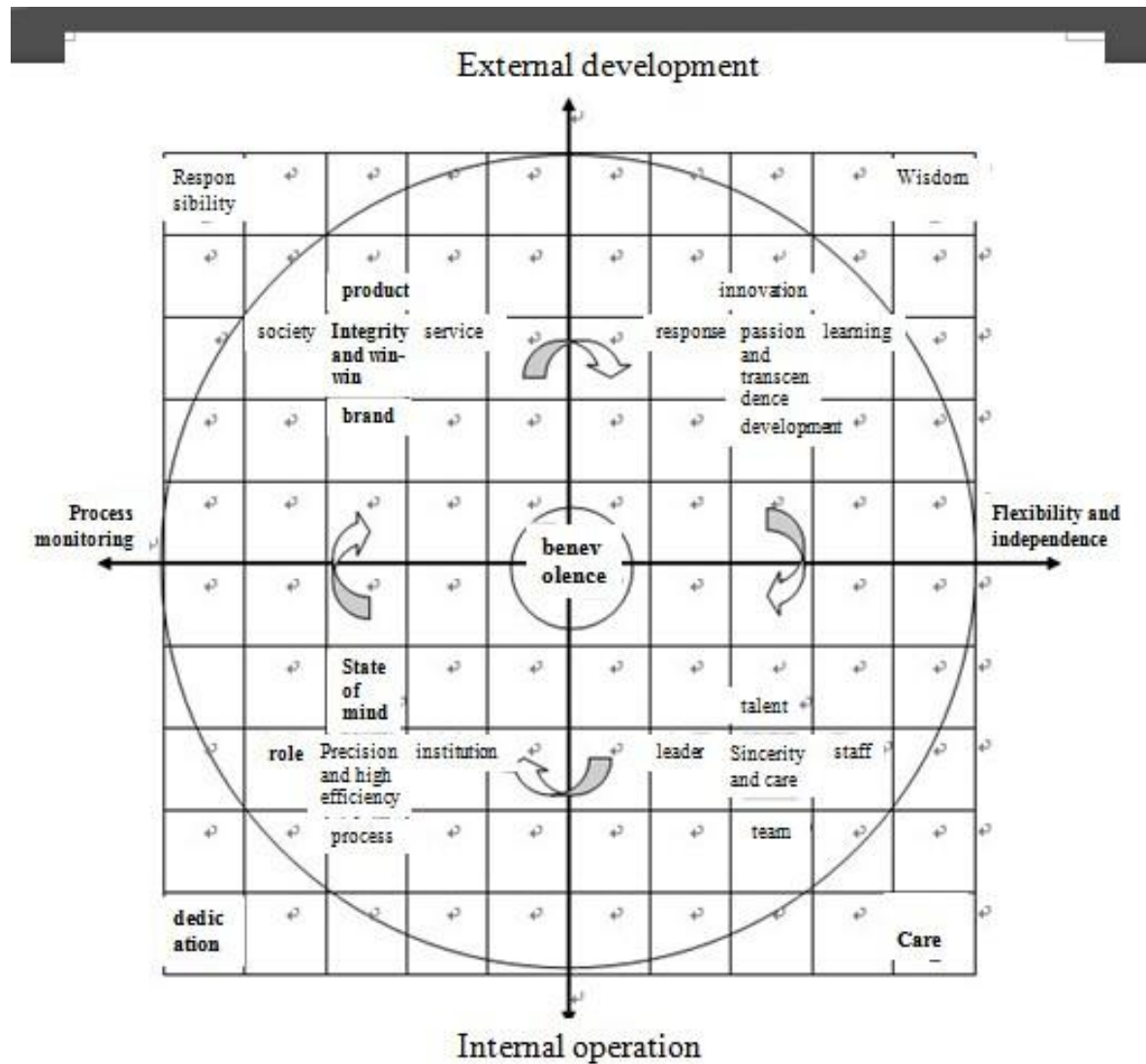


Figure 5-6 Map of Group G's Organizational Culture

5.2.2 Group G and Cultural Inheritance of R Hospital

In 2011, G Group cooperated with the consulting group of the College of Business Administration of the original university again to carry out research in R Hospital's enterprise cultural project. And two members of this project group had participated in G Group's cultural projects. After one year of field interviews, informal discussions and investigations, R Hospital's enterprise culture was extracted and summarized. Due to the consulting group's familiarity with G Group and R Hospital, it ensured sound continuity and inheritance in the abstraction of culture the Group and its branches.

Table 5-2 Comparison of Culture Between G Group and R Hospital

Project	Group G	R Hospital
Mission	The biggest value and honor lies in the success of employees and customers.	Save lives and treat diseases; promote health.
Vision	Gain a foothold in China before marching into the global market. Strive to establish an international brand hospital with a century-long history.	Establish a century-old brand hospital in South China.
Core Values	Benevolence	Practice benevolence and benefit society.
Organizational Spirit	Sincerity and Care; Precision and Efficiency; Credibility and Win-win; Passion and Transcendence	Rigorousness & Standard; Fraternity & Collaboration; Credibility & Dedication; Innovation & Curiousness
Perspective on leadership	Get out of the office to work on the front lines.	Put people first; discover able people and put them at suitable posts.
Perspective on teamwork spirit	Communication and Trust; Harmonious Coexistence; Solidarity and Collaboration; Joint Efforts for Progress	Excellent medical teams produce excellent doctors and nurses.
Perspective on talents	Regard moral integrity and competence as top priority; put teamwork first; and strive for common progress.	Recruit competent people with both integrity and ability.
Perspective on institutions	Respect for institutions and process is respect for people.	Set up normative institutions. Practice self-respect and self-discipline.
Perspective on development	Establish a brand with high quality products and services; and accomplish a great cause by relying on innovation and talents.	Stay competitive with high quality and pursue development through innovation.
Organizational Culture	Perspective on services	Receive patients with enthusiasm; answer questions patiently; provide reliable and satisfactory medical services.
	Perspective on quality	High quality is the guarantee for a hospital to survive and compete in the market.
	Perspective on innovation	Innovation is the soul of hospital development.
	Perspective on safety	Safety is the lifeline of hospitals.
	Perspective on production	Strict precision and emphasis on efficiency
	Perspective on management	Sound organization, high-standard discipline, rigorous style of work and strict management.
	Perspective on society	Expand job opportunities and promote social prosperity; create social value and boost social progress.

5.2.3 Culture of R Hospital After Transformation

Based on Quinn's (1983) organizational culture model, R Hospital has developed a "UFO" model with its own characteristics and formed a complete organizational culture system on this basis.

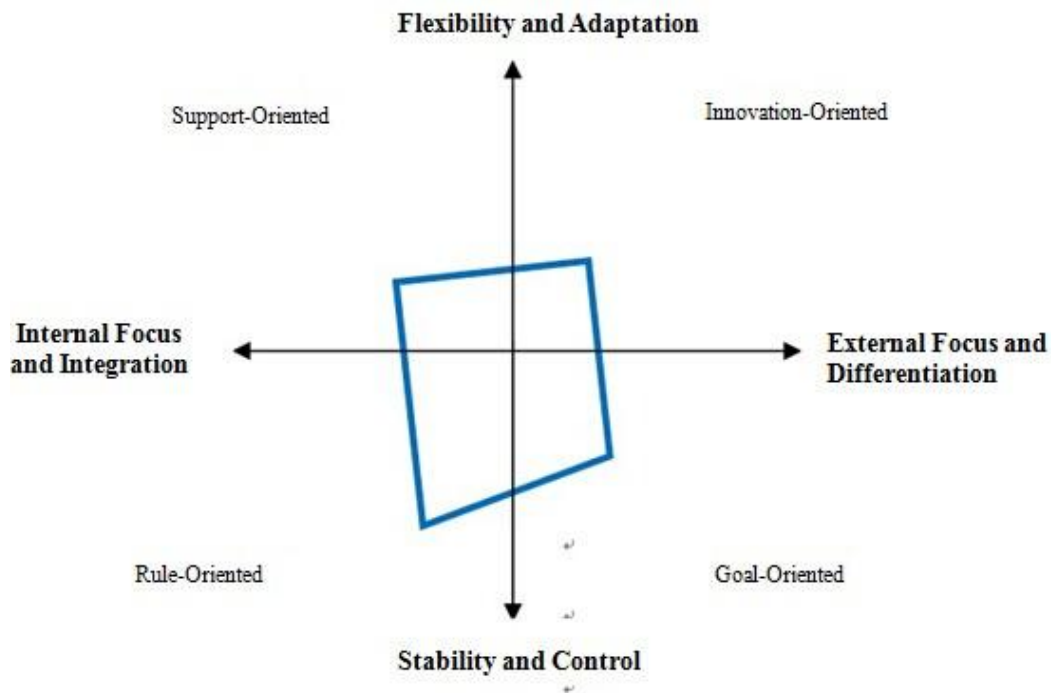


Figure 5-7 Irregular Quadrangle of R Hospital's Culture

5.2.3.1 Hospital Cultural Change

According to the two dimensions composed of Quinn's (1983) cultural model of "internal-external and control-flexibility" and based on the results of the interviews and questionnaire surveys carried out by the author among the employees of New Rongqi Hospital, we conclude that currently R Hospital is strongly rule-oriented and relatively weak in other orientations. In the internal integration dimension, R Hospital is relatively weak. R Hospital consists of many departments. Cooperation between different departments is needed for smooth operation of hospital work. Sometimes when there are difficult miscellaneous diseases, collective consultations of various departments are required. However, currently communication and coordination

between different departments is not satisfactory. There is a lack of communication between different departments as well as between old staff and new staff. Therefore, internal integration needs to be strengthened. “Flexibility” is supposed to be a characteristic of a developing private hospital. However, six years have passed since its transformation in 2005, R Hospital has not yet given play to its flexibility. The market awareness and operation awareness of its management are yet to be strengthened. The culture type of R Hospital at present is like an irregular quadrangle, in which rule orientation and goal orientation are obvious and support orientation and innovation orientation are weak.

However, as analyzed before, the ideal organizational culture model is a rhombus characterized by balanced development in two dimensions and four directions. Although the rhombus model is ideal, it is not suitable for blind imitation. Despite this, the philosophy of caring for people is indispensable for an organization. Due to its own mission, R Hospital should fulfill its responsibility of retrieving the dying and rescuing the wounded and exercise strict control on the quality of medical services. However, most of the employees respond that they are under huge work pressure, communication between departments is not sound and internal integration is yet to be carried out. Therefore, it is necessary for R Hospital to care more for its employees by showing them more care and support. After integration of the previous culture, R Hospital’s culture should be transformed into the UFO model.

5.2.3.2 The UFO-model Hospital Culture

The famous American organization culture expert Quinn (1983) classifies organizational culture indicators according to the dimensions of “internal-external as well as control-flexibility” and ultimately develops the organizational culture model composed of four basic value models, namely, goal orientation, rule orientation, support orientation and innovation orientations, to analyze the impact of each culture type on organizational competitiveness in empirical studies. These four orientations are necessary and simultaneously existent for an organization. The only difference is that the intensity of each cultural orientation at different stages is different.

As a private hospital, R Hospital should make use of its advantage of flexible institution to strengthen its flexibility and adaptability. The hospital should strengthen its operation awareness and market awareness so as to enhance the quality of its services. The technological capacity of a hospital is the key to its survival and development. R Hospital should increase its influence by developing and enhancing its technological capacity. A hospital's technological capacity is the one of its important core competitiveness. A hospital should rely on innovation to enhance its technological capacity. For an organization, the advantage for sustainable development comes from the possession of innovation capacity that surpasses its competitors. If a hospital can ensure that one of more of its key businesses reach the top standard in the industry, this hospital will definitely remain invincible. R Hospital's culture needs to be strengthened in the innovation-oriented aspect. To be specific, it should enhance the overall technological innovation capacity of the hospital with key specialized subjects as the leader.

In the new cultural model, rule orientation is still very important. However, cultural connotation of support orientation and goal orientation have been highlighted and enriched and the awareness of innovation orientation has been strengthened to certain extent. The "UFO" cultural model, with rule orientation as the back, support orientation and goal orientation as two wings and innovation orientation as the breakthrough, exhibits a tendency of taking off. In this way, not only the hospital's own cultural characteristics can be highlighted, but relatively balanced development can also be achieved. This cultural model suits the hospital's own characteristics and also boasts greater adaptability and sustainable development capacity.

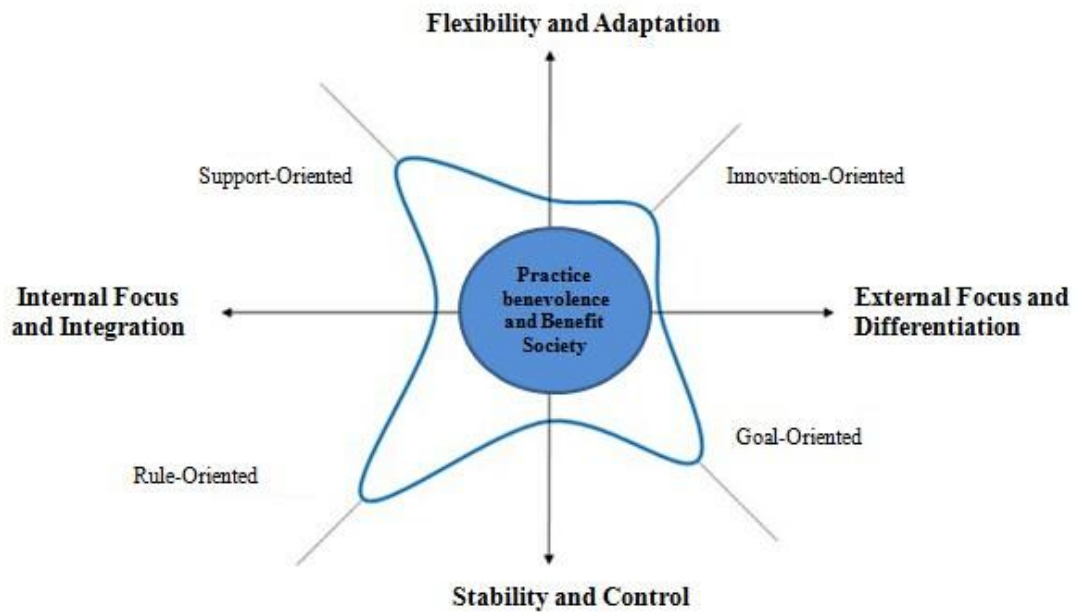


Figure 5-8 UFO Model of R Hospital's Organizational Culture

5.2.3.3 R Hospital's Cultural System

(1) Core values: Practice benevolence and benefit society

The benevolent loves others. In the context of the hospital industry, benevolence means caring for life. Doctors should be both caring and competent, have sound medical ethics and treat patients with benevolence and sincerity; hospitals should inherit and carry forward the spirit of benevolence and competence, stay realistic and pragmatic, blaze new trails in a pioneering spirit, and strive to establish harmonious doctor-patient relations. Benefiting society means helping the people in need. As a hospital, R Hospital has the responsibility of saving lives and treating diseases as well as offering assistance to the general public. It should give back to society with the spirit of "practicing medicine in order to help the people" and serve the public. It should take "benefiting society" as its own responsibility and abide by the morality of honesty and dedication.

(2) Organizational mission: Save lives and treat diseases; promote health

Saving lives and treating diseases, as well as promoting health are R Hospital's

solemn commitment to society. The hospital bears important responsibilities in aspects such as disease prevention and treatment, health protection, health promotion and saving lives and also plays an important role in establishing harmonious doctor-patient relations. Saving lives and treating diseases as well as practicing medicine in order to help the people are the bounden duty of doctors. Doctors bear unavoidable responsibility for the lives of patients. Every patient with persistent ailments is suffering from physical and mental pain and place deep expectation and trust in hospitals. Hospitals should regard patients as their relatives and friends and devote their share of care to them so as to make them feel warmth and get well soon.

(3) Organizational spirit: Rigorousness, fraternity, integrity and innovation

The organizational spirit can be further elaborated as: Rigorousness and standard fraternity and collaboration, credibility and dedication, as well as innovation and curiousness, which fully summarize the sound behavioral norms and spirit an excellent employee of R Hospital should possess.

(4) Organizational mission: Establish a century-old brand hospital in South China.

After several years of development since transformation, R Hospital has developed into a private hospital that has attracted tremendous attention from the industry. The hospital is equipped with a full range of departments, advanced medical equipment and sound technological strength. It even passed the appraisal and review and became a 2A hospital. Both the leadership and the rank and file of the hospital are of one mind, with a strong wish to build the hospital into “a century-old brand hospital in South China”. “Building the hospital into a brand hospital in South China” reflects R Hospital’s expectation in its future development and its resolution to become a brand hospital and a bellwether in South China. It seeks to expand its reputation and develop into a famous hospital in South China with excellent medical skills and high quality medical services; “Developing into a century-old hospital” shows the hospital’s long-term commitment to patients. In other words, the hospital is dedicated to carrying forward the humanitarian spirit of saving lives and treating diseases as well as the culture of benevolence and credibility.

(5) Hospital motto: Enhance professional medical skills and medical ethics; advocate pragmatism and innovation.

In order to enhance professional medical skills and medical ethics, doctors are required to cherish the notion of benefiting society and saving lives with a sincere heart. This has put forward a sincere hope for doctors to aspire to become “great doctors”: First, doctors should sharpen their medical skills; second, doctors should abide by medical ethics and be honest. In other words, doctors must possess professional medical skills and sound medical ethics. “Advocating pragmatism” means to be realistic and pragmatic, seek truth from facts and apply knowledge to meet practical needs. Doctors and nurses should seek truth from facts, guard against rashness and proceed from the reality. “Advocating innovation” emphasizes that doctors and nurses should bravely carry out and praise innovation in the exploration of medical development and strive to innovate ideas and develop the new through critical assimilation of the old.

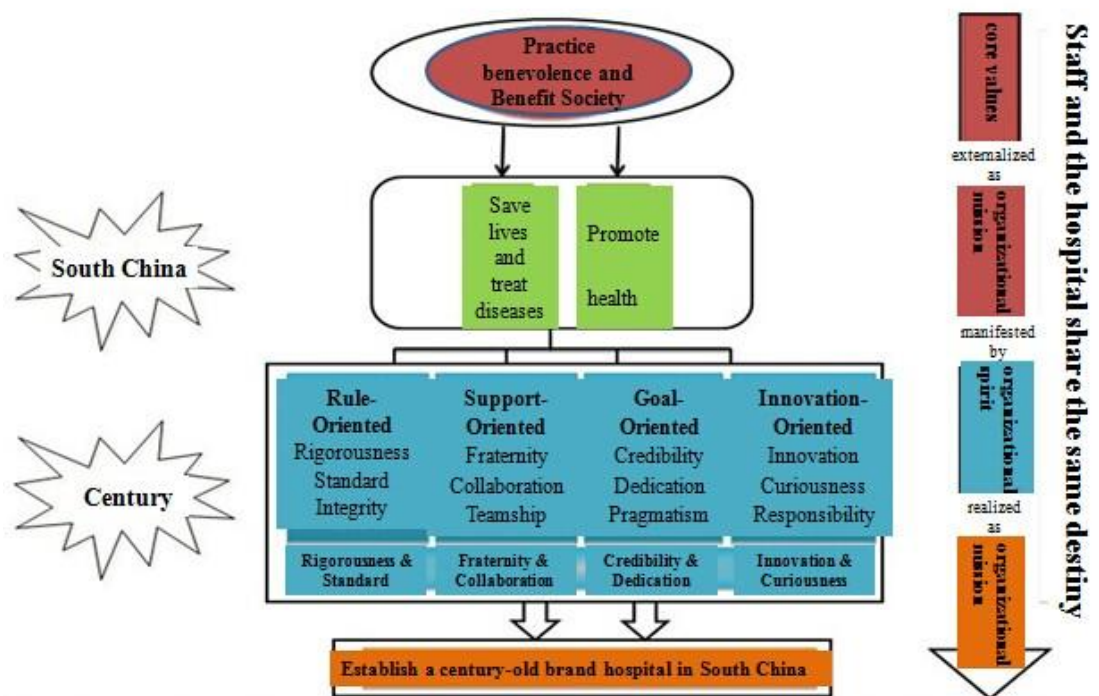


Figure 5-9 Cultural System of R Hospital

5.3 Reconstruction of Organizational Culture in R Hospital After Eight Years Since Transformation

Inheriting G Group’s core value of “benevolence”, the transformed R Hospital reconstructed its organizational culture from cultural slogans, cultural etiquette, cultural activities and classic stories and gradually formed the “UFO-model”organizational culture with the distinct characteristics of R Hospital.

5.3.1 Cultural Slogans of the Hospital

Table 5-3 Slogans of R Hospital’s Organizational Culture

Perspective on leadership	Put people first; discover able people and put them at suitable posts.
Perspective on teamwork spirit	Excellent medical teams produce excellent doctors and nurses.
Perspective on talents	Recruit competent people with both integrity and ability.
Perspective on institutions	Set up normative institutions. Practice self-respect and self-discipline.
Perspective on development	Be goal-oriented. Lay equal emphasis on differentiation and scale expansion.
Perspective on services	Receive patients with enthusiasm; answer questions patiently; provide reliable and satisfactory medical services.
Perspective on quality	Good quality is the guarantee for a hospital to survive and compete in the market.
Perspective on innovation	Innovation is the soul of hospital development.
Perspective on safety	Safety is the lifeline of hospitals.

5.3.2 Cultural Etiquette of the Hospital

As the code of ethics and code of conduct formed in social interactions, etiquette is also an importance part of organizational culture. An organization's cultural etiquette, which refers to the collective activities with a certain level and standard held within the organization on an either regular or irregular basis, is the main attachment point of organizational image. If the core value system of organizational culture, as an abstract form of belief system, is to be internalized into the minds of its employees, a series of practical, effective and feasible means and methods must be applied. Organizational culture etiquette is exactly an important manifestation and means of propaganda of the organizational value system. The etiquette can arouse the initiative of employees and propel them to form sound codes of conduct. Besides, the teaching through lively activities is conducive to cultivation of tastes, enhancement of organizational awareness and establishment of good organizational image in society. Whether an organization lays emphasis on etiquette can directly influence the organizational image and also affect the cultural construction of the organization.

According to R Hospital's organizational culture model, its organizational cultural ceremonies can be divided into four categories: goal-oriented ceremonies, support-oriented ceremonies, rule-oriented ceremonies and innovation-oriented ceremonies. Externalizing the abstract connotation of organizational culture into the various ceremonies of an organization through research can enable the organization culture to effectively guide employee's behavior and place the organization's core values and spirit into the minds of employees.

(1) Goal-oriented ceremonies

Goal-oriented ceremonies correspondingly reflect R Hospital's core values. R Hospital's target management is the cornerstone for the hospital's survival and development. Without a "target" in mind, employees' other behavior will lose its purpose. Therefore, sound "target" management should be the core concept that should be set up in the minds of all hospital employees. Demonstrations of operations of difficult subjects bear significant implications for the hospital and serve as the best

representation of R Hospital's motto of "enhancing professional medical skills and medical ethics and advocating pragmatism and innovation"; hospital strategic development conferences represent the hospital's lofty ideal of "establishing a century-old brand hospital in South China" and its organizational spirit of "dedication". Through strategic reflection, brainstorming and unity of thinking, the hospital is able to grow and develop in a healthy way; medical project summary ceremonies can enable employees to summarize experience after phased results have been achieved. It is a manifestation of the hospital's organizational culture of dedication and high efficiency.

(2) Support-oriented ceremonies

Support-oriented activities are aimed at highlighting the teamwork spirit and the theme of sharing and "care" in R Hospital. This is a representation of R Hospital's perspective on team that "excellent teams produce excellent doctors and nurses". Thus, only when employees dedicate their share of power can the hospital become more excellent; and only an excellent hospital can provide its employees with better development opportunities and enable them to achieve better growth. Through ceremonies of this kind, employees will be able to have a better understanding of R's values and mission and strengthen their sense of identification and belonging with the organization. Work commendation meetings help boost employees' sense of belonging and pride, raise employees' work enthusiasm, drive the hospital's harmonious development, strengthen the hospital's cohesion and embody the hospital's care for its employees; hospital orientations for new employees enable new employees to gain a more profound understanding of R Hospital's culture, blend in with the hospital's work atmosphere more quickly, lay a solid foundation for the inheritance and development of organizational culture, and reflect R Hospital's organizational spirit of "fraternity and teamwork spirit"; retirement ceremonies for old employees advocate R Hospital's organizational spirit of caring for employees as well as fraternity and solidarity, enabling organizational culture to take root in the minds of employees and effectively boosting the penetration and sublimation of the hospital's organizational culture; social donation ceremonies

promote such an idea in R Hospital that an organization should not only take responsibility for its employees, but also undertake its own share of social responsibility. Only by conducting magnanimous acts for the public good can the hospital succeed in making its employees better identify with its cultural connotation, enabling employees to feel proud of being a member of the hospital and embodying the organizational spirit of “fraternity and dedication”; and hospital anniversary celebrations offer a golden opportunity for R hospital to announce and spread its values among its employees and the general public.

(3) Rule-oriented ceremonies

Rule-oriented ceremonies, which are based on stability and control, emphasize the organizational spirit of “rigorousness and standard”. Only by establishing an effective and sound organizational system can efficient internal operation of R Hospital be guaranteed and long-term stable development and progress be achieved. Orders and rules are a premise for an organization to accomplish various tasks with high efficiency. Class opening ceremonies with the educational purpose of practicing medicine with integrity can help reinforce the concept of serving the people and refusing to take bribes and manifest the hospital’s organizational spirit of “integrity”; Awarding ceremonies for “zero accident” employees advocate the notion that only through adherence to “rigorousness and standard” can the record of “zero accident” be maintained and long-term development of the hospital be achieved. Through ceremonies, this organizational spirit can be externalized and consolidated in the organization.

(3) Innovation-oriented ceremonies

Innovation-oriented ceremonies, which take hard work, excellence and enterprise as the core content, are aimed at fostering an organizational atmosphere in R Hospital characterized by constant efforts for progress, hard study, and pursuit of excellence so as to enable R Hospital to become an efficient and excellent learning organization and maintain continued competitiveness and fighting capacity amid the complex and volatile environment. Hospital training class opening ceremonies reflect the hospital’s concern over the development and growth of its employees, R’s organizational spirit of

“innovation and curiousness” and its perspective on talent which lays emphasis on “gathering a large number of talented people with both ability and integrity”; awarding ceremonies for publishing of research papers provide technical guarantee for R Hospital’s long-term development, fulfill R Hospital’s organizational spirit of “innovation and curiousness”, embody R’s contribution to disciplinary development and serve as a perfect combination of organizational culture and organizational social responsibility; academic exchange conferences showcase R Hospital’s organizational spirit of “innovation and curiousness”, indicate the Hospital’s emphasis on medical capacity and plant this concept in the minds of employees.

5.3.3 Cultural Activities of the Hospital

Organizational culture activities are recreational and sports activities for the masses. Under the leadership of a strong organization, individual and unitary forms and content of recreational and sports activities are gradually replaced by collective and diversified ways and content. Besides, the purpose of such activities also changes from keeping fit to promoting communication, cultivating tastes, enriching life and uniting people. Thus, these activities have become a bridge and means for social communication, interpersonal communication, and enhancement of hospital image and cultivation of hospital stars. Organizational culture activities are an important part of enterprise culture construction. They can enrich the cultural life of employees, harmonize interpersonal relations and improve employees’ comprehensive ability so as to enhance employees’ overall quality, strengthen the enterprise’s cohesion, and facilitate the accumulation and deepening of organizational spirit in activities.

Sports activities not only boost people’s health and improve their physical coordination, but also strengthen their confidence and foster teamwork spirit. Arts and entertainment activities can enable people to gain a profound understanding of the content of life and thus express or purify their emotions to further take an initiative to create vitality. The scope of welfare activities covers community services, environmental protection, knowledge transmission, public welfare, helping others, social assistance, emergency assistance, youth services and philanthropic services. R

Hospital is a place that can enable employees to grow. The Party, the League and labor unions should provide employees with enough support and care.

Table 5-4 Development of R Hospital Between 2005 and 2012

Category of Cultural Activities	Activities	Cultural Enlightenment
Sports Activities	Fun games	Advocate solidarity and collaboration, have courage to struggle, strengthen communication and enhance mutual understanding.
	Outdoor development activities	Challenge oneself and pursue excellence.
	Adventure trips	Solidarity and collaboration, the spirit of exploration
	Celebrating the new year with long-distance running	Passion and vitality, solidarity and friendship
Arts and Entertainment Activities	Board and card games	Friendship and collaboration, communication
	Dancing competitions	Solidarity and friendship, passion and vitality
	Photo contest	Take an initiative to learn and have passion for life.
	Karaoke contest	Passion and vitality, care for employees
Welfare Activities	Variety show	Friendship and collaboration; care for employees
	“3·12” tree-planting activity	Serve the society and contribute to society.
	The series of “gratuitous treatment” activities	Sincerity, dedication and care
Activities Organized by the Party, the League and Labor Unions	“5.12 Nurse Day” activities	Care and friendship
	Red song activity	Revolutionary spirit, hard work
	Fellowship for single employees	Care for employees and strengthen communication.
	Birthday parties for employees	Put people first and care for employees.
	“Image Ambassador” Campaign	Solidarity and friendship, sharing and dedication
		n

5.3.4 Classic Stories

Classic characters and classic deeds play a strong role in demonstration, radiation and inheritance, and can exert major impacts on the formation, publicity and

promotion of enterprise culture. In daily work, great efforts should be made to identify, discover, summarize, advocate and commend advanced models. Through submission and selection, R Hospital collected dozens of classic deeds done by excellent people, and categorized them in accordance with the four orientations, namely, goal orientation, innovation orientation, support orientation and rule orientation.

5.4 Development of R Hospital After Eight Years Since Transformation

After eight years of development since transformation, R Hospital has developed into a 2A general hospital with a floorage of 25,600 square meters, a building area of 72,500 square meters, and a business occupancy area of 33,000 square meters. It is equipped with 580 beds. In 2013, the number of outpatient visits was 1.1 million person times and the annual number of hospitalizations was 23,000 person times. The operating income of 2005 was 95 million Yuan, that of 2013 grew to 270 million Yuan and that of 2014 is set to reach 360 million Yuan. In the qualification appraisal carried out by the provincial health bureau, R Hospital was rated as a 2A hospital. Currently, the hospital is home to more than 700 medical technicians, 64 of whom possess deputy senior titles and above: Of them, two are experts who enjoy national subsidies, one is a supervisor for master students, one is a doctor and 17 are masters; it is the first hospital that has obtained the honor as a national “PAC Quality Service Hospital” in SF District. In 2013, it was named as one of the top 20 private hospitals in GD Province and entered the list of the “100 Most Competitive Private Hospitals in China” jointly held by Hong Kong Asclepius Institute of Hospital Management Co., Limited and Hong Kong *Hospital Observation* Magazine (2013), ranking 83rd among 10,594 private hospitals.



Figure 5-10 New Outpatient Building of R Hospital

Table 5-5 Cultural Activities and Cultural Inspirations of R Hospital

Projects	2005	2006	2007	2008	2009	2010	2011	2012
Number of employees	515	582	633	686	689	729	786	800
Operating income (one hundred million Yuan)	0.98	1.09	1.19	1.31	1.58	1.59	1.99	2.29
Annual revenue generated by each person (ten thousand Yuan)	18.94	18.65	18.83	19.05	22.93	21.74	25.29	28.59
Number of outpatient visits (ten thousand person times)	71.7	77.6	84.4	90.9	98.2	109.4	118.1	122.7
Number of discharges	9803	10970	11096	12075	12420	12580	14626	17289
Number of operations	2406	2777	2913	3228	3676	4226	4598	5142

5.4.1 Organizational Structure

After transformation, R Hospital has implemented the system of labor division by the president under the leadership of the board of directors and appointed one chief financial officer and one chief medical officer respectively to exercise supervision on medical operation management and medical business administration. See Figure 5-3 for details.

5.4.2 Personnel Structure

After eight years of development since transformation, the personnel structure of R Hospital has gone through major changes compared to the previous one. By June, 2012, there were 481 doctors and nurses, taking up 81% of the total number of people in the Hospital.

Table 5-6 Personnel Distribution by the End of June, 2012

Positions of personnel	Doc tor	Assist ant to doctor	Tec hni cal doc tors	Medi cal techn icians	Nu rse	Assist ant nurse	Pharm acist	Adm inistr ative funct ions	Medical record compute r engineer	Fee collec tion perso nnel	Clin ical supp ort wor kers	Total	
Number of people in the beginning of the year	149	5	35	27	197	22	38	37	9	30	21	570	
Number of people by the end of June	150	5	35	26	203	22	40	40	9	33	28	591	
	481 (additional 8 people)						110 (additional 13 people)						
Percentage	81%						19%						100%

(1) Staff turnover rate

By 2012, the accumulated number of employees who had left the hospital was 391, of which 146 were previous employees of R Hospital before transformation and the remaining 245 were hospitals that joined R Hospital after transformation. The

accumulated turnover rate was only 8.4%, far lower than that required in the government document entitled the Staffing Plan for the Shareholding Reform of R Hospital, which set forth that “in order to maintain the stability of the workforce, the percentage of employees laid off by a shareholding hospital within three years due to the hospital’s own reasons shall not exceed 20% of the total number of enrolled employees upon transformation”.

Table 5-7 Number of Employees Who Had Left by the End of 2012

Year	Accumulated number of employees who had left the hospital			Percentage of employees who had left the hospital (%)	Number of deputy directors or above that had left the hospital
	Number of employees before transformation	Number of new employees after transformation	Total		
2005	34	4	38	7.50	
2006	19	13	32	5.80	2
2007	19	34	53	8.72	2
2008	27	47	74	12.35	1
2009	18	36	54	9.52	2
2010	10	28	38	6.50	1
2011	8	44	52	8.47	2
2012	11	39	50	7.92	1
Total	146	245	391		11
Percentage (%)	28%	35%	Annual average	8.4%	

(2) Staff's educational background and professional titles

Table 5-8 Distribution of Staff's Degree by the End of 2012

Time	Doctor	Master	Bachelor	Junior college graduate	High school graduate or below	Total
After transformation (October, 2012)	2	16	234	249	134	635
Before transformation (July, 2005)	0	9	98	97	316	520
Structure ratio after transformation (October 2012)	0.3%	3%	37%	39%	21%	100%
Structure ratio before transformation	0%	2%	19%	19%	61%	100%

Table 5-9 Distribution of Staff's Professional Titles by the End of 2012

Time	Senior title	Deputy senior title	Intermediate title	Primary title (Physician)	Primary title (Felder)	Without title	Total
After transformation (October, 2012)	7	45	132	213	127	114	638
Before transformation (July, 2005)	1	62	90	107	111	149	520
Structure ratio after transformation (October 2012)	1%	7%	21%	33%	20%	18%	100%
Structure ratio before transformation	0.2%	11.9%	17.3%	20.6%	21.3%	28.7%	100%

5.4.3 Staff Satisfaction Degree

After eight years of development, R Hospital has gradually demonstrated its stability and development results as well as development advantages and prospect.

The new organizational culture of the transformed hospital has taken an initial shape, which enables people to see renewed hope and share the benefits brought about by development. As time goes by, people will slowly comply with or adapt to, support, embrace and actively participate in and constantly construct and improve the new organizational culture in this process. After eight years since the transformation, the hospital has entered the next stage of stable development and innovation-driven development, and will continue to establish the organizational culture that suits R Hospital's development in the new historical period.

With the continuous deepening of the medical reform and the implementation of the "Three-Good and One-Satisfaction" activity, the superior health administration authority has raised higher requirements on the quality of healthcare services. In this context, the Population and Drug Administration Authority of SD District responded actively by adopting and implementing various measures and strengthening external exchanges and study in an aim to further enhance the service level of hospitals in the whole district and raise the degree of customer satisfaction. In order to obtain an objective and authentic understanding of the external services and internal management level of hospitals in SD District and provide bases for the Population and Drug Administration Authority of SD District to make decisions on enhancing the service level of hospitals in the whole district, the Population and Drug Administration Authority of SD District plans to entrust a third party to carry out the survey on the satisfaction degree of external customers and that of the internal staff so as to explore the direction for enhancing the services of hospitals in the whole district.

According to the survey on the satisfaction degree of internal staff of R Hospital, the overall satisfaction degree of the internal staff of R Hospital is 66.60 points, which is of an medium level. Compared with the satisfaction degrees of employees in medical institutions and private hospitals in the whole district, R Hospital's staff satisfaction degree is respectively 1.55 points and 0.02 points higher. Its staff satisfaction degree is higher than the average level of all hospitals and private hospitals in the whole district.

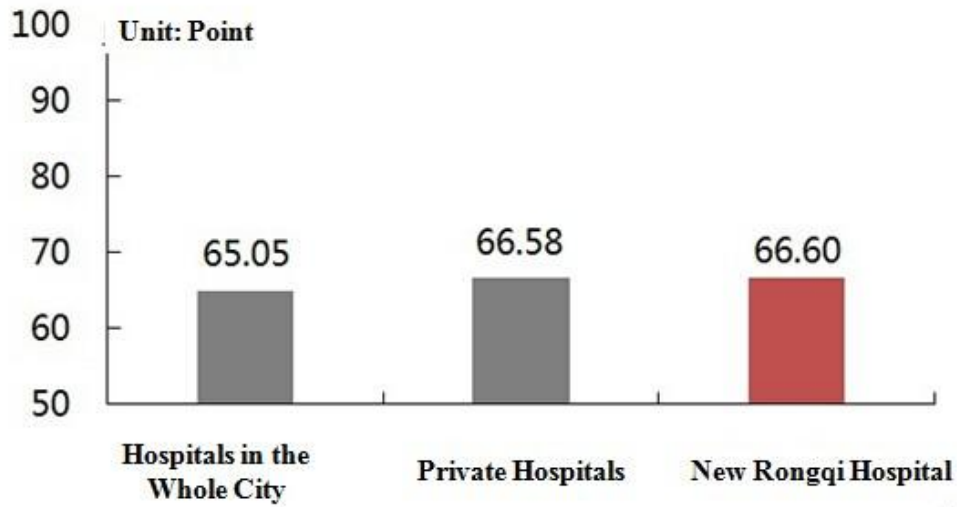


Figure 5-11 Satisfaction Degree of Internal Staff of R Hospital

(1) Overall evaluation

Seeing from the points of the overall satisfaction degree of hospital employees, 0.28% of the employees give less than 40 points, 3.94% give between 40 points and 49 points, 17.78% give between 50 points and 59 points, 35.63% give between 60 points and 69 points, 26.66% give between 70 and 79 points, and 15.71% give 80 points and above. A total of 78.00% of the above employees give 60 points or more. It can be seen that most of the employees have a relatively favorable opinion of the hospital.

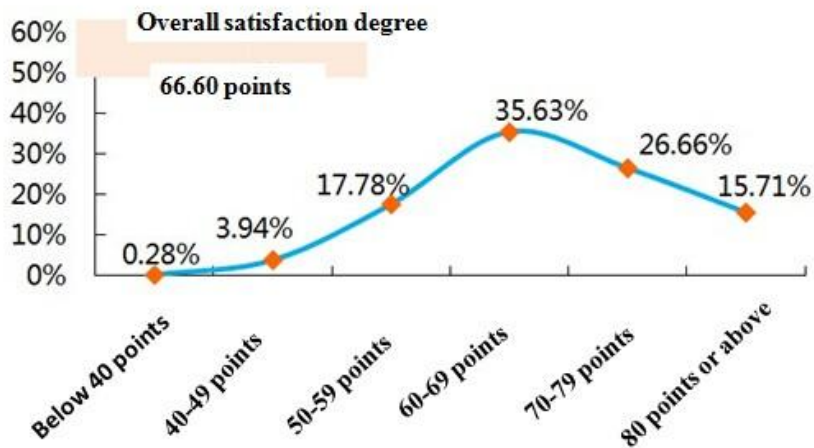


Figure 5-12 Evaluation of Satisfaction Degree of Internal Staff of R Hospital

(2) Second-level index

Seeing from the second-level index evaluation of hospital staff, the one with the highest evaluation of employees is working conditions (73.45 points). What come next are coordination and communication (73.34 points) and management support (68.92 points), following which are work arrangement (66.15 points) and fair treatment (65.69 points). What comes last are job returns (63.46 points).

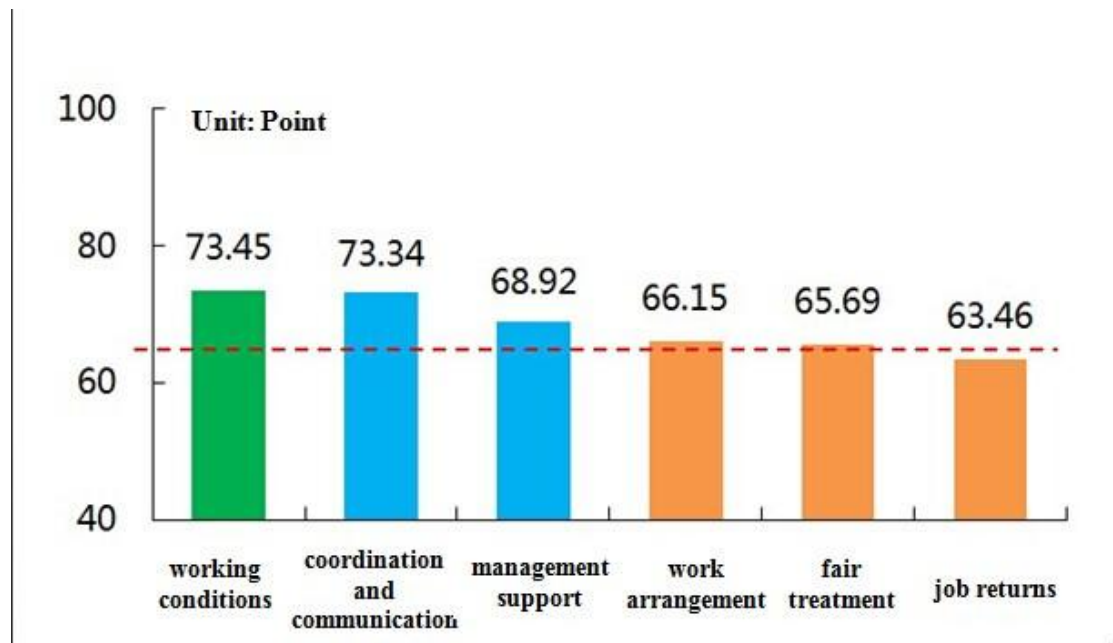


Figure 5-13 Second-level Index Evaluation of Service of Hospital Internal Staff

(3) Third-level index

Seeing from the third-level index evaluation of hospital staff, what come as top five as evaluated by the staff are relationships between colleagues, work environment, coordination between departments, clear job responsibilities and job approval, whereas what come as the last five are job returns, welfare benefits, workload, participation in decision-making and management and job stress.

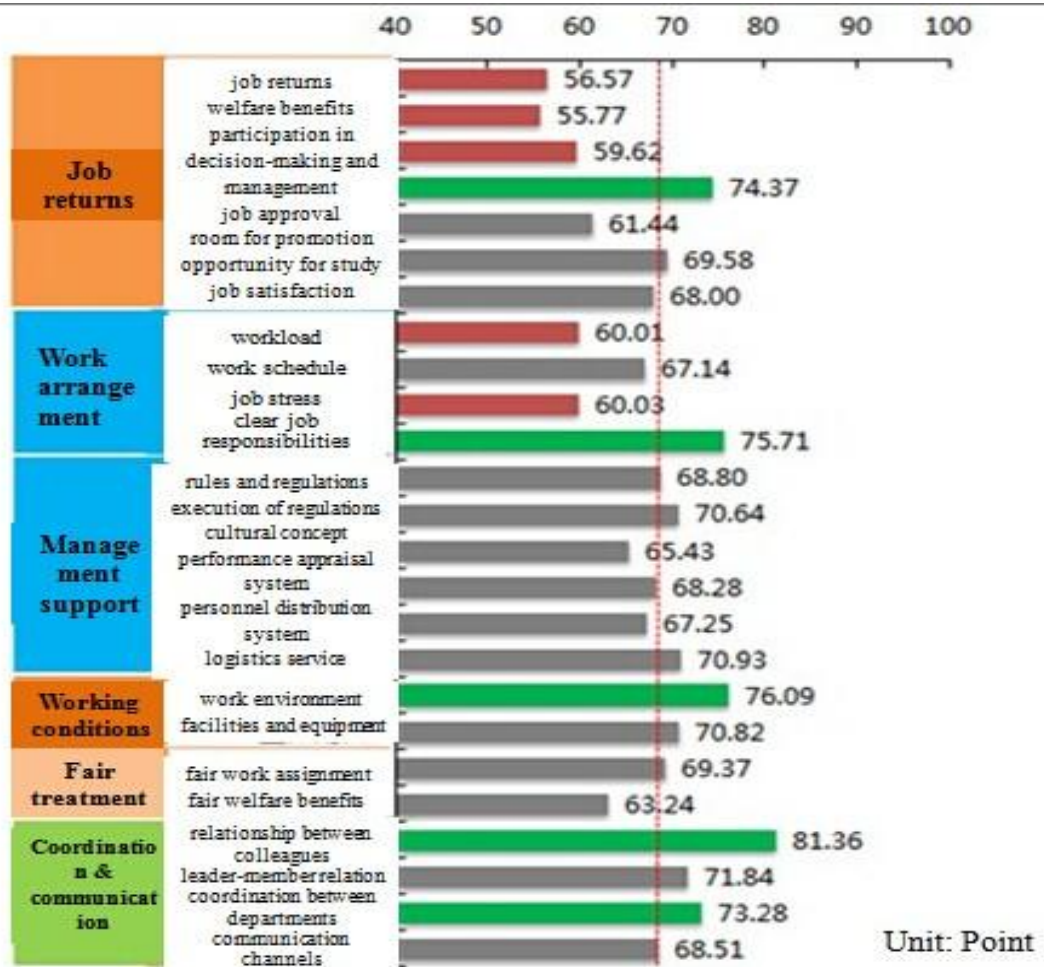


Figure 5-14 Third-level Index Evaluation of Service of Hospital Internal Staff

5.5 Chapter Summary

After transformation, R Hospital has determined its development strategy from five aspects, namely, “the way, heaven, earth, command as well as rules and regulations” by SWOT analysis. Since R Hospital is an enterprise with its shares controlled by G Group, its cultural system has borne some characteristics of G Group. The organizational culture integration and reconstruction of R Hospital after transformation mainly consists of four aspects: First, cultural slogans, which include cultural system and cultural mottos that condense the hospital cultural with its own characteristics. Second, cultural etiquette. It is an important form of externalization for and a means of promoting an organization’s value system. It classifies R Hospital’s organizational culture into four categories: goal-oriented ceremonies,

support-oriented ceremonies, rule-oriented ceremonies and innovation-oriented ceremonies. Third, cultural activities. Organizational cultural activities is an important part of enterprise culture construction as they can enrich the cultural life of employees, harmonize interpersonal relations and enhance the comprehensive ability of employees so as to enhance their overall quality, strengthen the enterprise's cohesion and facilitate the accumulation and deepening of organizational spirit in activities. Fourth, classic stories. Set up role models and emphasize the guiding role of leaders and excellent people.

After eight years since transformation, R Hospital has gradually formed a "UFO-model" organizational culture. In the "UFO" cultural model, with rule orientation as the back, support orientation and goal orientation as two wings and innovation orientation as the breakthrough, the whole model exhibits a tendency of taking off. In this way, not only the hospital's own cultural characteristics can be highlighted, but relatively balanced development can also be achieved. This cultural model suits the hospital's own characteristics and also boasts greater adaptability and sustainable development capacity.

Chapter 6: Conclusions

With the rapid development of modern information technology, global competition has become more and more obvious. Only through constant change, innovation, strides and rebirth can an organization achieve sustainable development. Enterprise transformation is one of the many forms of organizational change. This concept is also applicable to hospital transformation. With the development of healthcare services and medicine, over the past decade or so, China has been actively utilizing various resources to carry out hospital transformation. The fundamental changes in the internal environment and external environment after hospital transformation have resulted in quite a number of problems and conflicts which will directly stand in the way the hospital survival and development. Among them, the inevitable underlying management problem is organizational culture integration. It can be said that the success of organizational culture integration is the key to the success of hospital transformation. With the rapid development after hospital transformation, cultural integration appears to be more and more important. This research mainly explores the impacts and significance of organizational culture integration and construction on the survival and development of Chinese public hospitals after transformation by using the transformation of a Chinese public hospital with 56 years of history as a case study. Major conclusions of the present research are as follows:

6.1 Major Research Conclusions

(1) Hospital transformation process and organizational culture characteristics of the transformed hospital

R Hospital's transformation was a mandatory requirement of the government. The content of transformation included property right transfer, staffing and organizational culture integration. After transformation, R Hospital became the first local shareholding private not-for-profit medical unit transformed from public

hospital and joins hands with the diversified G Group to develop medical services.

Transformation of R Hospital was conducted after the original hospital had been in operation for 48 years. Most of the employees in the hospital are permanent employees in previous public institutions of the state. At the initial stage after transformation, the organizational culture of R Hospital was characterized by looseness and lack of cohesion, which resulted in instability, difficulty of management and tendency towards getting out of control for the hospital. According to this case study, at the initial stage after hospital transformation, people were unwilling to accept or even resisted against the transformation, had negative comments on the transformation or passively waited for change. With the success of the transformation, people begin to gradually accept, make adaptations, support, embrace and actively participate in the transformation. Major problems that exist after transformation of R Hospital include unclear understanding of the Hospital's development vision and lack of consensus on the strategic objective. The latter is mainly reflected in the staff's unstable mindsets, lack of communication and poor implementation of systems.

(2) Organizational culture integration and reconstruction after hospital transformation

The organizational culture integration and reconstruction of R Hospital after transformation mainly consists of four aspects: First, cultural slogans, which include cultural system and cultural mottos that condense the hospital cultural with its own characteristics. Second, cultural etiquette. It is an important form of externalization for and a means of promoting an organization's value system. It classifies R Hospital's organizational culture into four categories: goal-oriented ceremonies, support-oriented ceremonies, rule-oriented ceremonies and innovation-oriented ceremonies. Third, cultural activities. Organizational cultural activities is an important part of enterprise culture construction as they can enrich the cultural life of employees, harmonize interpersonal relations and enhance the comprehensive ability of employees so as to enhance their overall quality, strengthen the enterprise's cohesion and facilitate the accumulation and deepening of organizational spirit in activities.

Fourth, classic stories. Set up role models and emphasize the guiding role of leaders and excellent people.

After eight years since transformation, R Hospital has gradually formed a new “UFO-model” organizational culture. The “UFO” cultural model, with rule orientation as the back, support orientation and goal orientation as two wings and innovation orientation as the breakthrough, exhibits a tendency of taking off. In this way, not only the hospital’s own cultural characteristics can be highlighted, but relatively balanced development can also be achieved. This cultural model suits the hospital’s own characteristics and also boasts greater adaptability and sustainable development capacity.

After eight years since transformation, R Hospital has made significant progress in medical treatment, teaching and scientific research, the scale of the hospital has substantially expanded, the hospital overall strength has significantly increased, and medical service radius and influence have substantially expanded. The characteristics of organizational change reflected in R Hospital’s transformation process indicate that with the increasing globalization and application of information technology, hospitals are bound to carry out organizational change. Through this case study, characteristics of Chinese hospital transformation are exhibited: Hospital transformation is aimed at better utilizing materials, expanding the scale, enhancing competitiveness and expanding medical market; investment of private capital and introduction of advanced enterprise management concepts effectively enhance hospital management level; the results of hospital transformation are good, positive and progressive.

6.2 Contributions of the Research

By studying the transformation of a Chinese public hospital, this research explores the management and organizational culture of Chinese hospitals, the process and significance of the formation of new organizational culture amid organizational change, as well as the process and significance of the survival and development of the transformed hospital. From management practice experience to theories, it discusses

the importance of organizational culture integration to hospital transformation, which contributes significantly to the theoretical study and practice in hospital management.

6.2.1 Suggestions for Construction of Organizational Culture in Transformed Public Hospitals in China

(1) Provide reference experience for transformed Chinese public hospitals to combine theories with practice in cultural construction.

In recent years, with the rapid development of China's society and economy, there has been a continued increase in the number of hospital transformations with various resources. Because of this, the problems and difficulties encountered are also mounting. Forerunners' experience needs to be drawn upon and guiding theories need to be utilized in actual scientific research. Although transformed hospitals in China have accumulated some practical experience after more than tens years of development, studies focusing on the management of transformed hospitals are still lacking. The limited amount of published literature is nothing more than personal feelings and understanding, review and analysis as well as experience exchange. Therefore, this research is significant in that it is innovative and can provide some guidance in practice. Study on the transformation process as well as organizational culture integration and reconstruction of Chinese public hospitals will provide some reference experience with certain theoretical value as well as a combination between theory and practice for the transformation of Chinese hospitals. It can also lay a scientific foundation for further exploring the development rules of transformed Chinese public hospitals in the future.

(2) Understand the importance of combining the management theories for Chinese public hospital transformation with practice.

In recent years, China has started to attach importance to hospital management research. Most of the current studies focus on issues related to China's medical and health care system reform from the macro perspective at the national level. In comparison, the majority of studies in hospital management at hospital level have not

gone beyond “experiential culture”. The experience management by senior medical experts or high income earners is still worshiped. There is a huge gap between the research thinking in hospital management and that in management science, let alone scientific study in hospital management. The root cause for hospital management to rely on “experiential culture” for a long time is that due to various reasons (especially reasons related to traditional concepts and understanding), currently China’s hospital management team is lack of research thinking and research experience in management science and that the “research supervisors” and management research teams with practical experience in hospital management lack a “research culture” atmosphere to carry out hospital management research. Therefore, a huge gap is to be filled between hospital management research and scientific research in management. Through this research, research experience in the combination of theories and practice in China’s hospital management can be accumulated, which can serve as a reference for the transition of China’s hospital management from the unitary “experiential culture” to “research culture” or “the research culture characterized by the combination of practice and experience”.

(3) Understand the characteristics of organizational culture after transformation of Chinese public hospitals.

For a long time, studies in China’s hospital organizational culture have been small in number. In China, hospitals have always attached importance to organizational culture construction, including value orientation, institutional construction, organization of activities with various themes, advocacy of find concepts and fostering of a sound human atmosphere and have accumulated abundant experience. However, due to the poor circumstances, currently there are few studies in hospital organizational culture (Shi & Sun, 2009). By studying the organizational culture of a transformed Chinese public hospital, this research presents the organizational culture characteristics of Chinese hospitals and provide a reference and basis for further research in this regard.

6.2.2 Implications of Cultural Integration and Reconstruction in Organizational change

Generally speaking, stability, convention and order are the fundamental characteristics of an organization. But in fact, change has become an important part of an organization. An organization comes from change and continuous updates, improves and re-generates itself in the course of change (Gao, Guo & Li, 2010). In the process of organizational change, various influences will collide with each other. In this environment, an organization needs and has greater possibility to produce new and stronger learning capacity more than ever. The new organizational culture formed in this environment tends to be free from influences of various common customs and more adaptable to modern ideas and concepts, thus better and more rapidly push forward the organization's development. The new vitality and driving force brought about by this new organizational culture will exert immeasurable influence on the development of the transformed hospital. Therefore, through this research, further analysis of the generation process of the new organizational culture and its significance to an organization's survival and development in hospital transformation can be carried out. It bears especially important realistic influence to the generation of a series of excellent new organizational cultures through top-level design in hospital transformation or the transformation of other enterprises in the future.

6.2.3 Implications for Future Research and Practice

(1) Implications for Study on the Survival and Development of Transformed Chinese Public Hospitals

After many years of practice, quite a lot of successful experience has been concluded in China's medical and health care system reform. Yet the existing Western theories can hardly explain such process of reform and successful experience. Medical reform is a worldwide problem. Therefore, study on the survival and development of transformed Chinese public hospitals under this specific circumstance reflects the current situation of China's medical reform, provides an important reference for both

research and practice in medical reform that are being or will be extensively carried out, and serves as a reference for theoretical studies in relevant fields.

(2) Implications for Study in Organizational Change

Today's world is constantly changing. Competition between various social organizations is increasing, propelling organizations to constantly adjust and change themselves so as to adapt to changes in the environment. However, change is not an easy thing. In today's world, it is far from enough to just recognize the need to change, the importance of change and what needs to be changed. In fact, in order to achieve successful change, understanding of how to carry out change is a must. In this case study, discussions on the profound issue of the importance of hospital culture in hospital transformation are carried out on the basis of successful organizational change so as to shed light on the role of organizational culture construction in the realization of organizational change. Therefore, the contributions of this case study to management theories and practice are reflected in the reference it provides to Chinese hospital management and further understanding of the importance of organizational culture integration and construction in organizational change.

6.3 Limitations of the Research

This research is a single case study research, which can only elaborate on the relationships between transformation process, results and organizational culture of one transformed hospital, and shed light on the importance of the construction of new organizational culture within limited scopes and conditions. Although the research results can serve as a reference for other transformed hospitals and enterprises, they cannot yet be generalized according to principles of statistics, let alone constructing a theoretical framework with this research result alone.

The fact that a hospital's important decision-makers have the opportunity to enter the case study of the hospital as researchers undoubtedly has many unique advantages. Although the researcher has tried his best to study theoretical knowledge in

management and abide by scientific and rigorous research attitudes and research methods, the prejudices of the researcher can hardly be avoided which may directly affect data collection and result analysis and further result in deviations in research conclusions. Besides, since the researcher is closely related to the research subjects of the case hospital, the perspectives as well as objectivity and fairness of the researcher himself may also be jeopardized.

The characteristic of this case study is to observe the changes of a hospital over eight years since its transformation. The materials collected in the research come from documents or records in archives as much as possible. However, the materials gathered from the recollection of respondents can hardly be free from deviations, which might affect the results of the retrospective study. Although quite a few objective indicators have been collected in research, the research still relies mainly on subjective indicators. Subjective indicators, which mainly consist of the researcher's own experiential judgments and the feelings, memory and statements of respondents, may be subjective, arbitrary or accidental. Sometimes it is hard to guarantee the authenticity and stability of indicators. It is even possible to lead to contradictions and misjudgments (Sun & Xu, 2010). Besides, observational study itself tends to be affected by various factors, such as the expectation of respondents and society as well as the social environment the hospital is in. What's more, the selection bias of respondents will also affect the research results. For example, if the respondents differ from each other tremendously in their age and come from different jobs, different levels and different positions in the hospital, their knowledge as well as the level and profundity of understanding of problems will directly affect the research results and the analytical results, thus leading to deviations in the research conclusions.

6.4 Suggestions for Future Research

This case study of the organizational culture of a transformed hospital is characterized by practical exploration to theoretical exploration, during which process ideas come into shape, experience is accumulated and understanding is deepened.

Organizational change is a global trend nowadays. Hospital transformation will also keep emerging and continuing. Therefore, in the next step, multi-case study of many transformed hospitals can be carried out to summarize theories that can be generalized. Researchers can also take one step further and carry out studies on organizational cultural differences, cultural clashes and cultural blending, which will be conducive to guiding transformed hospitals to develop a more profound understanding of the characteristics and roles of organizational culture so as to get out of trouble and gain development as soon as possible.

This single case study research is based on qualitative analysis. In the future research, mixed use of qualitative and quantitative research (such as questionnaire survey) can be used so as to enable the researcher to analyze and solve more complicated research problems, and collect richer and more convincing evidence. In addition, a comparative study of organizational culture between transformed or newly established hospitals and hospitals with a long history will also be a significant one that may help us unearth the knowledge worthy of mutual learning between new and old hospitals.

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Appendix 1 Questionnaire on Organizational Culture of R Hospital

Respected colleagues from R Hospital:

Hello! This questionnaire survey is carried out among the staff in the hospital in order to thoroughly understand the construction of organizational culture in R Hospital (hereafter referred to as R). This is an anonymous survey. The authentication information provided by you will be used as important bases for our work in the next step and facilitate the cultural construction of R. We promise that the information you fill in will be kept strictly confidential and that the statistics we gather from this questionnaire will be used for project consultation only. Therefore, please fill in this questionnaire on the basis of objectivity and authenticity. All questionnaires will be uniformly recovered by South China SCUT (South China University of Technology) Project Group.

Thank you for your support!

Part 1: (Please tick \surd on the choice(s) that you deem most appropriate)

Number	Details	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1	You understand R's common vision (Common vision is meant to tell people what an organization will develop into. It is an expectation and a description of an organization's future development).	1	2	3	4	5
2	It is necessary for R to enable its staff to understand its common vision.	1	2	3	4	5
3	R's future prospect is bright.	1	2	3	4	5

4	R has sound executive force.	1	2	3	4	5
5	Implementation of systems in R is sound.	1	2	3	4	5
6	You are very willing to tell other people that you work in R.	1	2	3	4	5
7	You are willing to work in R in the long run.	1	2	3	4	5
8	The organizational atmosphere in R is positive.	1	2	3	4	5
9	You think that your personal future is closely tied to R's future.	1	2	3	4	5
10	R is very concerned about the growth and future of its staff.	1	2	3	4	5
11	There is much room for development for you in R.	1	2	3	4	5
12	You are willing to undertake the work with greater difficulty, greater responsibility and bigger pressure.	1	2	3	4	5
13	You are able to bring your talents into full play by working in R.	1	2	3	4	5
14	You think that your work is challenging and can bring you a strong sense of fulfillment.	1	2	3	4	5
15	The staff of R have a strong sense of dedication.	1	2	3	4	5
16	The new employee recruited in 2005 after transformation are getting along well with the old staff.	1	2	3	4	5
17	The interpersonal relationships in R are sound.	1	2	3	4	5
18	The communication between superiors and subordinates in R is harmonious.	1	2	3	4	5
19	The communication between colleagues in the same department in R is harmonious.	1	2	3	4	5
20	The communication between colleagues in different departments in R is harmonious.	1	2	3	4	5

21	In matters that call for cooperation between relevant departments, the responsibilities of each department are clearly defined.	1	2	3	4	5
22	You are fully aware of your job responsibilities and rights.	1	2	3	4	5
23	Your superior has clearly conveyed to you the performance targets you are supposed to achieve this year.	1	2	3	4	5
24	There are buck-passing and disputes over trifles between different departments.	1	2	3	4	5
25	Work efficiency has been undermined due to lack of internal communication and coordination in each department.	1	2	3	4	5
26	It is more important to get along well with colleagues than comply with organizational systems.	1	2	3	4	5
27	The work efficiency of staff in R is very high.	1	2	3	4	5
28	Currently your workload is very heavy.	1	2	3	4	5
29	The present salary and appraisal systems have embodied the principle of fairness and justice.	1	2	3	4	5
30	You are very satisfied with your current income.	1	2	3	4	5
31	You are very satisfied with the current welfare and social insurance provided by R.	1	2	3	4	5
32	You are very satisfied with your current job post.	1	2	3	4	5
33	You are very satisfied with your current work environment.	1	2	3	4	5
34	The number of cultural entertainment activities carried out by R is enough.	1	2	3	4	5
35	The cultural entertainment activities carried out by R are splendid.	1	2	3	4	5

Part 2:(Please tick \surd on the choice(s) that you deem most appropriate)

36. What do you think are the reasons for R's success before transformation? (a maximum of three choices)

- A. FS's rapid development
- B. Strong support from the municipal government
- C. World-class medical level
- D. Joint efforts of the staff
- E. Persistence on strict institutional management
- F. The personal abilities of the core leadership
- G. Good service attitude
- H. Sound welfare and retirement protection
- I. Good reputation
- J. Advanced equipment
- K. Others (Please write down)

37. What do you think R should rely on to achieve continued success (a maximum of three choices)

- A. FS's rapid development
- B. Strong support from the municipal government
- C. World-class medical level
- D. Joint efforts of the staff
- E. Persistence on strict institutional management
- F. The personal abilities of the core leadership
- G. Good service attitude
- H. Sound welfare and retirement protection
- I. Good reputation
- J. Advanced equipment
- K. Others (Please write down)

38. How do you view R's organizational culture before transformation?

- A. It had a rich culture and had made a good summary of its distinct characteristics and made the best of them.
- B. It had a rich culture but had not yet identified its own distinct characteristics.
- C. It had not formed a comprehensive and profound cultural system.
- D. There were many unhealthy cultural phenomena.

39. How do you view R's current organizational culture after transformation?

- A. It has a rich culture and has made a good summary of its distinct characteristics

and made the best of them.

B. It has a rich culture but has not yet identified its own distinct characteristics.

C. It has not formed a comprehensive and profound cultural system.

D. There are many unhealthy cultural phenomena.

40. What do you think are the concepts and spirits R needs to advocate most? (Please tick \checkmark on the choice(s) that you deem most appropriate and limit the number of choices within 8)

1.	Benefit mankind by providing medical	2.	Excellent medical skills and fine	3.	Innovation	4.	Gratitude
5.	Rigorousness and professionalism	6.	Harmonious doctor-patient	7.	Caring for life	8.	Safe quality
9.	Commitment	10.	Teamwork	11.	Dedication	12.	Integrity and credibility
13.	Normative standards	14.	Service awareness	15.	Communication	16.	Integrity in
17.	Constant search of wisdom from old	18.	Emphasis on responsibility	19.	Pursuit of excellence	20.	Brand awareness
21.	Performance-oriented	22.	Flexibility in	23.	Crisis awareness	24.	Attention to
25.	Set up examples for others with both	26.	Fairness and justice	27.	Boldness to take responsibilities	28.	Tolerance and respect

41. The main reasons that attracted you to work in R: (Please tick \checkmark on the choice(s) that you deem most appropriate and limit the number of choices within three)

1	High salary	2	Good welfare and social	3	Identification with R' leadership	4	Identification with R' culture
5	Room for	6	Good reputation	7	Good interpersonal	8	A higher platform
9	Challenging	1	Interest	11	Family reasons	1	Others

42. The main reasons for your continuous stay in R after transformation: (Please tick \surd on the choice(s) that you deem most appropriate and limit the number of choices within three)

1	High salary	2	Good welfare and social	3	Identification with R' leadership	4	Identification with R' culture
5	Room for	6	Good reputation	7	Good interpersonal	8	A higher platform
9	Challenging	1	Interest	11	Family reasons	1	Others

43. What content do you think R's mission should incorporate? (a maximum of two choices)

- A. Build an excellent brand of medical service items.
- B. Enable more people to enjoy physical and mental health.
- C. Advocate healthy lifestyles.
- D. Enable staff to achieve self-development.
- E. Others (Please write down)

44. Suppose that you plan to leave R, what would be the main reasons? (a maximum of three choices)

- A. I am unable to realize my own ideal
- B. It is difficult to manage interpersonal relationships
- C. The salary is low.
- D. I am unable to get along well with the leaders.
- E. There is no retirement protection.
- F. The work environment is bad.
- G. The workload is heavy and pressure is tremendous.
- H. There are better options.
- I. Family reasons
- J. The job stability is bad.

K. Others (Please specify)

45. What will be your response when you see media publicity of R?

A. I will be very happy and will tell the people around me.

B. I will be very happy but will not tell people around me.

C. It is none of my business.

D. I will regard it as publicity stunt.

E. The content of publicity falls significant short of the reality.

46. As far as you know, what are the main bases for R to select and promote employees? (a maximum of three choices)

A. Virtue B. Professional ability C. Educational background

D. Relationships E. Medical skills F. Public support

G. Management capacity H. Professional title I. Others (Please specify)_

47. The most popular people among colleagues owe credit to:

A. Strong capacity for work B. Popularity among people

C. Recognition by leaders D. cooperative consciousness

E. Good character

48. What do you think are the primary criteria for evaluating your job performance?
(a maximum of three choices)

A. The length of stay in R B. Achievements in work

C. Job post D. Educational background

E. Achievements of the department F. Technical capacity

G. Intensity of work H. Professional title

I. Position risk J. Position

K. Others

49. In the current salary system, the factors you think are most relevant to salary among the following factors are: (a maximum of 2 choices)

- A. The length of stay in R B. Achievements in work C. Job post
 D. Educational background E. Welfare F. Achievements of the department
 G. Position H. Professional title

50. Currently, the factors that affect your working enthusiasm most are: (Please tick \checkmark on the choice(s) that you deem most appropriate and limit the number of choices within three)

1	Work environment	2	Transformation into private hospital	3	Housing conditions	4	Atmosphere in R
5	Challenge of the job	6	Occupational stability	7	Salary	8	Career development
9	Rush hour traffic	10	Reputation among citizens	11	Promotion prospect	12	Welfare
13	Retirement protection	14	The ability to give full play to one's talents	15	Others (Please write down)_____		

51. What factors do you hope that will be related to salary:

52. Please write down the cultural entertainment activities that you wish R to organize:

53. Please write down the slogans that R often puts forward:

54. Your opinions on and suggestions for the construction of R's organizational culture:

Part 3: Personal Background (For statistical purpose only. All information will

be eliminated afterwards.)

1. Your gender:

- Male Female

2. Your age (for doctors):

- 30 years old and below 31~40 years old 41~50 years old
51~60 years old 61 years old and above

3. Your age (for nurses):

- 25 years old and below 26~30 years old 31~40 years old
41 years old and above

4. How long have you worked in R (for doctors):

- 5 years and shorter 6~10 years 11~15 years 16 years and longer

5. How long have you worked in R (for nurses):

- 3 years and shorter 4~6 years 7 years and longer

6. Your educational background:

- Technical secondary school graduate and below Junior college graduate
Bachelor Master Doctor

7. Your department:

- President's Office Personnel Department Medical Department
Quality Control DepartmentHealth Management Department
Nursing DepartmentFinance Department Outpatient Department
 Medical Technical Department Inpatient Department
Equipment Management Department Others

8. Your professional title:

- Chief physician Associate chief physician Doctor-in-charge
Doctor Assistant doctor Rotating doctor
Chief nurse Associate chief nurse Nurse practitioner-in-charge
 Nurse Practitioner Nurse Rotating nurse

9. Your position:

- Director (Section chief) Deputy director (Deputy section chief)
Team leader Head nurse No position

Appendix 2 Outline of Interview About Hospital Organizational Culture

Research department:

Respondents:

Researcher:

Time:

Location:

I. Personal Background

1. Please give a brief self-introduction, including name, professional title and length of service.
2. Please give a brief introduction to your department.
3. Please talk about your work experiences in the hospital and the duration of service of your current post.

II. Enterprise Culture

1. Establish a century-old hospital is the pursuit and aspiration of R Hospital. What do you think are the biggest difficulty and challenge for R Hospital in the course of building itself into a century-old hospital?
2. What kind of core competitiveness does R Hospital advocate currently? Does R Hospital have a clear mission and business objective? If it does, what are they? (If not, what do you think its mission and business objective should be?)
3. What kinds of spirit do you think have resulted in R Hospital's success?
4. What expectations do you have for the construction of enterprise culture of R Hospital? What opinions and suggestions do you have for R Hospital's cultural building and image promotion?
5. Noble and honorable humanistic spirits have been formed in our Hospital with the selfless dedication of several generations of employees. Which do you think should be advocated and which do you think should be abandoned? Which kinds of spirit do you

think R Hospital need to strengthen and develop?

6. How do you think of the morale and cohesion of R Hospital at present?

7. What comments do you have on the several senior managers of R Hospital? Are you satisfied with their ways of leadership?

8. How do you view your values in the Hospital? To what extent do you think you can contribute to the development of the Hospital?

9. What attracted you to R Hospital? What made you stay in R Hospital? What expectations do you have for R Hospital's future?

10. Do you have a clear understanding of R Hospital's cultural concepts? How many slogans of the hospital can you remember? What impacts do these slogans and concepts have on your daily work? Have these slogans and concepts been implemented in daily operations? What opinions and suggestions do you have for these slogans and concepts?

11. Currently, how do grassroots doctors and nurses communicate with the Hospital? Do the senior managers of R Hospital understand the thoughts of their subordinate employees? Do you think it necessary to improve the communication channels between them? If so, what suggestions do you have?

12. As far as you know, how is the image of R Hospital among people? What kind of image do you wish R Hospital to project among people?

Appendix 3 Questionnaire of Inpatients of R Hospital

Respected Sir/Madam, hello!

In order to provide better services for clients, we hope that you could spare a few minutes to give us your opinions on the medical services of R hospital. This is an anonymous survey. All information will be kept strictly confidential. Please rest reassured and fill in the questionnaire objectively. Thank you very much for your support and cooperation!

Mark the choice that conforms best to what you think with √.

Part 1:

Number	Details	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1 point	2 points	3 points	4 points	5 points
1	On the whole, You are very satisfied with R Hospital.					
2	Compared with other hospitals, the waiting environment and inpatient environment of R Hospital are very good.					
3	You are very satisfied with the service attitude of R Hospital.					
4	You are very satisfied with doctors' medication and the reasonableness of examination.					
5	You think that the doctor has given a thorough introduction to patients' conditions and therapeutic schedules.					
6	During the hospital visit, I have enough time to					

	communicate with the doctor.					
7	The technical capacity of doctors is high.					
8	You are very satisfied with the nurses' professional skills.					
9	You think that the money spent on the medical services provided by our hospital is worthwhile.					
10	Compared with other hospitals, the fees R Hospital charges for its medical services are very reasonable.					
11	R Hospital is easily accessible.					
12	The signposts for each floor in R Hospital are very clear.					
13	Compared with other hospitals, the time between entering R hospital and finishing treatment is very short.					

Part 2:

1. Among the following factors, what are your main considerations when you choose hospital (Mark all that apply).

- A. Availability of medical equipment B. Fine medical skills of doctors
C. Good service attitude of the hospital D. Short length of waiting
E. Clean hospital environment F. Good location and convenient transportation
G. Others (Please write down) _____

2. You choose hospital through:

- A. Recommendation by doctors B. Introduction by relatives or friends
C. Newspaper D. Internet E. Broadcast
F. Television G. Outpatient service schedule
H. Others (Please write down) _____

3. Which department do you think (or hear to be) better?

1	Department of Internal Medicine	2	Department of Surgery	3	Department of Obstetrics and Gynecology	4	Department of Pediatrics
5	Department of Ophthalmology	6	Department of Otolaryngology	7	Department of Stomatology	8	Department of Traditional Chinese Medicine
9	Department of Dermatological	10	Department of Oncology	11	VIP Clinics	12	Others

4. Which type of medical services of our hospital do you find to fall short of your expectation? (Mark all that apply)

- A. None
- B. Registration
- C. Fee collection
- D. Medicine dispensing
- E. Treatment (transfusion and injection)
- F. Diagnosis and treatment by doctors

5. Do you think the medical treatment provided to you by the medical staff from our hospital are accurate and effective?

- A. Yes, accurate and effective
- B. Basically good
- C. No, neither accurate nor effective

6. What are your most frequently used way of registration?

- A. Registration through telephone voice service
- B. Registration through telephone human service
- C. Registration at the registration office
- D. Ask the clinic to register on your behalf
- E. Online registration

7. How long has the length of waiting in front of each window exceeded the maximum length of waiting you can stand?

- A. 3 minutes B. 5 minutes C. 8 minutes D. 15 minutes

8. What aspect do you think the hospital needs to improve most? (Mark all that apply).

- A. All aspects are perfect B. Hospital environment C. Medical equipment
D. Service attitudes of the medical staff E. Medical privacy
F. Length of waiting of various examinations G. Others _____

9. What do you usually do when you catch a common cold?

- A. Buy drugs in a pharmacy B. Go to see a doctor C. Let it be
D. I'm not sure E. Others _____

10. Do you always go to the same doctor for treatment? A. Yes B. No

11. To continue the last question, why? _____

Part 3. Personal Background (For statistical purpose only)

1. Your gender:

- Male Female

2. Your age:

- 18 years old or below 18~30 years old
 31~50 years old 51 years old or above

3. Your educational background:

- Middle school graduate or below
 High school or technical secondary school graduate
 Junior college graduate
 College graduate or above

4. Your occupation:

- Farmer Teacher Enterprise employee

- Civil servant or public institution employee Student
Soldier Self-employed person Migrant worker
Others

5. The means of transportation you always use:

- Feet Bicycle Motorcycle
Public transportationTaxi Private car

6. Is the new R Hospital your first choice for medical treatment?

- Yes No

7. How many times have you received medical treatment in R Hospital?

- Once 2~4 times 5 times and more

8. How many times have you received medical treatment in hospitals in Guangzhou?

- None 1~2 times 3~5 times 5 times and more