The gradual corporatization of the English NHS has created conditions which have precipitated an increasingly commercialized and entrepreneurial healthcare system

Recent healthcare reforms in England, combined with financial austerity, have accelerated both the corporatization and commercialization of the NHS. This combination has encouraged greater public sector entrepreneurialism, argue **Damian E. Hodgson**, **Simon Bailey**, **Mark Exworthy**, **Mike Bresnen**, **John Hassard**, and **Paula Hyde**. *They examine the meaning and experience of corporatization in the sector, illustrating their argument with qualitative data from a specialist hospital.*

The passage of the Health and Care Bill through Parliament has revived debates about privatisation and the NHS. However, much less attention has been devoted to the closely related process of commercialism in the NHS, as an illustration of entrepreneurialism across public services more generally. Here, we trace the origins of the growing commercialism in the NHS in England and draw attention to some of the hidden costs of entrepreneurialism in the public sector.

Commercialism in the English NHS, although encouraged implicitly since the formation of Foundation Trusts in the early 2000s, was promoted by the Health and Social Care Act of 2012. The Act not only enshrined competitive and commercial behaviour in law, but it also abolished caps on commercial income of NHS Foundation Trusts, so that trusts could in principle generate up to 49% of their income from commercial sources. This of course has coincided with a decade of austerity, with rising activity in hospitals not matched by reimbursement from the public purse. This financial pressure has served as a sharp incentive to trusts to seek out new opportunities to maximise both 'core' and 'non-core' income. By 2016, non-core income accounted for 9.1% of Trusts' income, varying between 1.6% for ambulance trusts to 21.4% for community health trusts.

In practice, income generation has taken many forms. In the English NHS, such 'non-core' activity ranges from maximizing revenue from ancillary services such as laundry or car-parking, which generated around £290m in England in 2019-20, through to commercial land sales. What might be considered 'core' activity ranges from generating revenue by hosting both commercial and non-commercial research, maximising income from private and fee-paying patients, and public-private joint venture activity, such as University Hospitals Birmingham building a £65m hospital in a joint venture with the private HCS Healthcare UK, or the Royal Marsden hospital opening a cancer treatment centre near Harley Street to directly compete with the private sector.

The effects of some of these initiatives has not gone unnoticed, with rising public irritation at the escalating cost of hospital car parking, for example, and the occasional public furore when an over-ambitious private venture by a hospital, such as a music festival, goes wrong. The financial pressures driving this activity are sometimes visible, with revelations that half of the income generated through one-off commercial land sales went to fill holes in day-to-day budgets of NHS trusts.

These commercial initiatives in the NHS, of course, depend on new behaviours among staff; to be alert to market opportunities, and to be willing and able to take financial risks in order to effectively exploit new sources of income – which has been described as a kind of *public sector entrepreneurialism*. How far this can or should be reconciled with traditional public sector values and ethos is a key question; does this imply an erosion of public sector values, or a modernisation and reinvention of public service built around innovation and enterprise?

To find out what this increased public sector entrepreneurialism means for the people who work in the NHS, we looked at experiences in one English specialist hospital in the vanguard of commercialisation through the last decade. This hospital was distinctive in that it had a recognisable and prestigious 'brand' and a strong reputation for quality of care, nurtured by a large communications department. It was also relatively insulated from the effects of austerity through the 2010s, being much more financially stable than many other NHS trusts with a substantial charity arm. It was also more engaged with entrepreneurial activities, such as joint ventures with private companies, than most NHS hospitals.

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We spoke to doctors, nurses, and managers across the hospital about their experiences in the Trust and found that most were very aware of the distinctive mindset at the Trust, which they described as 'progressive', 'business-focused', and entrepreneurial. While some spoke positively of this, all recognised the distinction between this way of working and the traditional NHS way, and the challenges this posed to many staff. A key challenge related to the blurred lines between 'commercial' and 'non-commercial' activity, or between the public and private sector activities which take place on the hospital site.

One way in which this boundary is managed by many is by *compartmentalisation*, with some revenue-generating units seeing themselves as a 'private enterprise within an NHS organisation', and thus needing to operate in a different way. Similarly, the strategic and professional way in which the charity and marketing departments worked, to build and maintain a strong brand reputation, were seen as reflecting a different kind of 'drive' to the rest of the Trust. Nonetheless, to some degree the charity played a key role in legitimising the principle of commercial engagement and a kind of innovative entrepreneurialism; if the charity could generate valuable revenue, why not other ventures building on the brand identity built up by the Trust? In this way marketing and branding supported other kinds of income generation activities by the hospital including outreach and joint venture activity.

For many, this commercial activity raised ethical concerns which could not be assuaged by compartmentalising this activity. For some, the justification was that commercial success could be used to cross-subsidise core activities, although the degree of public benefit was viewed sceptically by some. Others, committed to the principle of 'providing care free at the point of delivery', found any payment for treatment unethical. On a personal level, some staff described their own discomfort with pressures to generate income. However, even staff with objections in principle felt that they needed to engage with the private sector ventures to protect their future career, having seen the direction of travel across the sector.

So to what degree could we see evidence of the kind of mission drift and goal displacement associated with commercialisation in other public sectors? In one sense, this was minimised by work to decouple and compartmentalise commercial and entrepreneurial activities, focusing their activities in certain units such as research, joint ventures, and the charity. However, they similarly served to justify the principle of revenue generation. Arguments that this indirectly benefitted and supported the core mission meant that ethical dilemmas were more widely experienced across the trust. Normalisation also meant that many felt unable to separate themselves from this activity, as who knew when their future employment might depend on their exposure and comfort with commercial work?

Our research does not suggest that public sector entrepreneurialism is normal or indeed widespread in the English NHS. However, there are ongoing pressures to exploit 'increased opportunities for income generation from the commercialization of certain "noncore" NHS functions', in the words of NHS Improvement in 2018 – and little prospect of the kind of funding settlement that would release pressure to seek alternative forms of income. In addition to fiscal questions of risk/reward, and ethical questions over certain forms of revenue generation, we seek to draw attention to the more insidious implications of the normalisation of commercialism and public sector entrepreneurialism in the NHS. As the conduct of staff shifts incrementally towards different ways of thinking and practising then there is a distinct risk that mission drift, goal displacement, and more acute ethical dilemmas will become more likely.

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