

LEARNING GUIDE

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HCS 425
Health Care Management
Organization Design and Behavior

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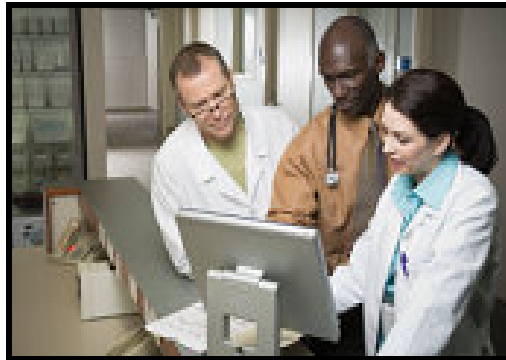
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CHAPTER ONE

Organization Theory and Health Services Management

Learning Objectives:



Upon successful completion of this chapter, you should be able to:

1. Identify the major forces affecting the delivery of health services.
2. Understand how these major forces affect the role of the health services manager.
3. Identify some of the commonalities and differences among major types of health services organizations.
4. Identify the basic processes that must be accomplished.
5. Identify the different areas of managerial activity.
6. Identify the major perspectives and theories of organizations.
7. Identify the major metaphors of organizations.
8. Explain the transformation of health care.
9. List the health system and their essential aims.
10. Understand the concentric ecology of organizations in health care sector.

Slide 1

Introduction:

The health services management challenge of the new millennium is to create value for an increasingly diverse and demanding citizenry. The managerial function in health services is unique because of the relative autonomy of providers and the complexity of assessing the quality of the services rendered. This chapter sets the stage for addressing some of these challenges. It also discusses the major forces that influence the health care system and also describes the great variety of organizations involved.

OVERVIEW

Slide 2

Highlights:

What are the major forces that influence health care delivery, and what is the ecology of health services organizations?



- The goal of health services managers is to help maintain and enhance the health of public.
- Health services organizations are highly involved with values on a daily basis.
- Health professionals are highly dependent on each other in providing and coordinating patient care.

Notes:**The Changing Health Care System:**

Economic, political, and social forces have moved the health services system from a reactive acute care paradigm to a more holistic paradigm emphasizing population-based wellness.

1. Forces Influencing Health Care Delivery:

Financial incentives that reward superior performance. Payment based on performance. Growth of new technology emphasizing outpatient, workplace, and at-home treatment. Aging of the population and associated increase in chronic illness. Increased ethnic and cultural diversity of the population. Changes in the supply and education of health professionals. Social morbidity (AIDS, drugs, homicides, bioterrorism, “new surprises”). Information production and management. Globalization and expansion of the world economy.

2. Elements of the Paradigm Shift in Health Care:

Emphasis on the continuum of care rather than acute inpatient care. Emphasis on maintaining and promoting wellness rather than treating illness. Accountability for the health of defined populations instead of individual patients. Emphasis on intangible knowledge/relation-based assets rather than tangible physical assets. Providers differentiated based on ability to add value (previously providers were essentially similar). Success achieved by keeping people well instead of increasing market share of patient admissions. Goal is to provide care at the most appropriate level rather than to fill beds and to offer health delivery systems instead of separate providers and health plans. Managers provide leadership for improving the value of services delivered. Managers actively pursue continuous improvement of quality and individual and community health. Care is provided by health care teams working together in collaboration. Information is a dynamic means for sharing knowledge with patients for their use.

Ecology of Health Services Organizations**1. Number and Variety of Organizations:**

The organizations engaged in the process by which service's are ultimately delivered to patients includes providers (e.g., primary care providers, acute care providers, rehabilitation centers, and maintenance providers such as nursing homes and hospices), supplier organizations, and payers (including insurance companies, self-insured employers, and government payers such as Medicare and Medicaid).

2. Are Health Services Organizations Unique?

Health services differ from typical industrial organizations in significant ways that increase the complexity of the management role in these organizations. Some of the most frequently mentioned differences are:

- Defining and measuring output are more difficult.
- Work is more variable and complex.
- Work is of an emergency and nondeferrable nature.
- Work permits little tolerance for ambiguity or error.
- Work activities are interdependent, requiring a high degree of coordination.
- Work involves an extreme degree of specialization.
- Organizational participants are highly professionalized (their primary loyalty is to the profession rather than to the organization).
- Little effective managerial control exists over the group (physicians) most responsible for generating work and expenditures.
- Dual lines of authority exist that create problems of coordination and accountability and confusion of roles.

Slide 3

Highlights:

What are the different dimensions of health service organization? What are its functions and what are the areas of managerial activity?



- Health services organizations are complex social systems.
- The core production processes varies on number of dimension including complexity, time, use of labor versus capital.
- A large part of the executive's job is to manage the complex, dynamic, interactive relationships among multiple levels.

OVERVIEW**Notes:****Key Dimensions of Health Services Organizations**

Health services organizations can be compared on a variety of attributes and characteristics to stimulate thinking about differences and similarities among the organizations and the implications for management.

- **External Environment:** Managers must have a good understanding of the external environment in terms of complexity, susceptibility to change, and competitiveness.
- **Vision/Mission/Goals:** The mission and goals have both an external and an internal purpose. Externally they communicate what the organization is about to those who may want to use its services, and internally they serve as a source of motivation and direction.
- **Strategies:** Strategies are plans for achieving the organization's mission and goals and primarily involve positioning the organization to succeed in its environment relative to its competitors. The generic strategies that health care organizations may adopt include being low-cost providers or differentiating on high quality.
- **Differentiation:** The major way organizations compete is through the array of products and services that they offer. This is referred to as differentiation and involves the development of specialized knowledge, functions, departments, and viewpoints.
- **Integration:** Integration is the degree of coordination required across specialized functions and processes to achieve unity of effort. Organizations that are more differentiated require a greater degree of integration. Integration involves issues of work group design, communication and coordination, the overall design of the organization, and strategic alliances.
- **Centralization:** Centralization is the degree to which decision making and selected functions are made by the top management or by individual hospitals or physician groups. The degree of centralization has important implications for how quickly decisions are made, how effectively decisions are implemented, the ability of the organization to adapt to change, and how well the organization meets the accountability demands of external groups.
- **Change/Innovation:** The ability to create and manage change and to innovate are necessary for long-run viability.

Health Services Organizations as Systems

A closed system view emphasizes the need to maximize internal efficiency, predictability, and order. In contrast, an open system view emphasizes the need for openness, adaptability, and innovation. An open system view is necessary if an organization is to change and adapt to meet the challenges posed by the external environment. Both approaches are needed to understand and manage health service organizations. Each function or department within the organization should be viewed in terms of its interconnectedness with others, in addition to being influenced by the external environment. It is useful to consider six primary functions or processes that occur in health services organizations.

- **Production:** Provides the product or service and is at the center of most organizational activities.
- **Boundary Spanning:** Focuses on the interface between the organization and its external environment.
- **Maintenance:** Concerned with both the physical (e.g., capital acquisition) and human (e.g., employee growth and development) infrastructure of the organization.
- **Adaptation:** Using innovation to anticipate and adjust to needed changes.
- **Management:** A distinct function that organizes, directs, and oversees all the other functions.
- **Governance:** The function that provides overall strategic direction to management, and holds management and the organization accountable.

Areas of Managerial Activity

- **Organizational Behavior/Micro Approach:** Emphasizes examining individuals within organizations. This includes such topics as motivation, leadership, and conflict management.
- **Organization Theory/Macro Approach:** Treats the organization as a social system and focuses on organizational design, interorganizational relationships, change and innovation, and performance and strategy

OVERVIEW

Slide 4

Highlights:

What are the major perspectives on health services organizations under different school of thought and what are the metaphors of this organization?



- The bureaucratic organizational form can achieve technical superiority over other forms.
- Programming the job and training the person to do the job.
- An organization success depends on where it stands in relation to the population of its competitors and the overall environmental forces influencing the population.
- The metaphor reflects the image of an organization as interlocking parts with clearly defined roles.

Notes:**Major Perspectives on Health Services Organizations:**

Ten different perspectives regarding how organizations functions have evolved over the years:

- **Bureaucratic Theory:** The organization is guided by specific procedures for governing activities, characterized by hierarchical structure, lack of individual freedom, and rigid behavior.
- **The Scientific Management School:** Emphasizes span of control, unity of command, appropriate delegation of authority, departmentalization, and use of work rules and methods to improve efficiency.
- **The Human Relations School:** Focus is on the individual, group dynamics, and the relationships between group members, and between the members and their supervisor. Also emphasizes the usefulness of participatory decision making that involves the individual in the organization, and the role of intrinsic self-actualizing aspects of the work.
- **Contingency Theory:** Suggests that the best form of organization (either mechanistic or organic) is situational; it depends on the level of stability, simplicity of tasks and technology, and the percentage of professional workers employed.
- **Resource Dependency Theory:** Emphasizes the importance of the organization's abilities to secure needed resources from its environment in order to survive.
- **Strategic Management Perspective:** Emphasizes the importance of positioning the organization relative to its environment and competitors in order to achieve its objectives and ensure its survival.
- **Population Ecology Theory:** Argues that environmental forces "select out" certain organizations for survival; minimizes the role of managers.
- **Institutional Theory:** States those organizations face environments characterized by external norms, rules, and requirements with which the organizations must conform to receive legitimacy and support.
- **Social Network Perspective:** Emphasizes that all behavior is social in nature and successful organizations will develop and use social networks to their advantage.

OVERVIEW

- **Complex Adaptive Systems:** States those organizational elements are highly interdependent, embedded, and unpredictable. Progress is made through experimentation, application of simple rules, and co-evolution of the organization and its environment.

Metaphors of Health Services Organizations:

The preceding perspectives are recast as metaphors of health services organizations. The metaphors are machines, tyrants, brains, playing fields, psychic prisons, biological organisms, political systems, and holograms.

Slide 5

Summary:



The essence of management is to motivate people and groups to carry out technical tasks for the attainment of organizational goals and at the same time to position the organization for long-run survival and growth as it charts the future. The dimension of the managerial challenge provides a basic framework and a focus for the development of specific managerial competencies. Finally, organization functions through time, and managers must be responsive to the challenges of long-term survival and growth of the organization.

DISCUSSION**DISCUSSION 1:**

What are the challenges faced by Henry Ford Health System in the opening scenario and which are the major perspectives on organizations that would offer the most assistance?

SUGGESTION:

A rational argument might be made for choosing the human relations, contingency, resource dependency, or strategic management perspective. Given the complex nature of the major issues facing Henry Ford Health System in the decade ahead, the best approach may be the contingency perspective. Contingency theorists suggest that a less bureaucratic (or more organic) form of organization is more effective when the environment is complex and dynamic, tasks and technologies are nonroutine, and a relatively high percentage of professionals are involved. The more organic organizational structure involves decentralized and more participative decision making. This type of structure could be beneficial as HFHS must make many decisions regarding future challenges, opportunities, and resource allocation.

DISCUSSION 2:

Which of the metaphors of organizations would provide the greatest insight on this assignment? Defend the choice.

SUGGESTION:

The hologram is probably the most appropriate metaphor. A hologram is an object in which each of the parts contains the entire essence of the overall object or image. An advantage of this perspective is that each health center would be viewed as a useful single entity, but also as part of a larger whole. Each of the health centers would be working toward a single overall purpose as part of the whole. This perspective is also useful in conceptualizing the coordination that needs to occur to integrate the multiple components.

DISCUSSION**DISCUSSION 3:**

Networks and alliances are marriages of money and convenience. Systems are marriages of commitment and values? Comment

SUGGESTION:

Health networks are described as strategic alliances or contractual arrangements among hospitals, physicians, and other health services organizations that provide an array of health services to the community. Health systems are defined as arrangements among hospitals, physicians, and other provider organizations that involve direct ownership of assets on the part of the system. Networks and alliances are characterized by looser financial arrangements as opposed to the unified ownership of health systems. Arguments supporting the statements might refer to the loose nature of networks since they are contractual arrangements that may be short-term and lack a significant investment of resources, while systems are long-term commitments that are most successful when the organizations have similar values. In developing the counterarguments, the networks and alliances are often formed to provide a greater array of services to patients, while systems are really marriages of money since they evolve into organizations with common ownership.

Adaptation function (pg 22)

Biological organisms (pg 34)

Boundary spanning function (pg 21)

Brains (pg 31)

Bureaucratic theory (pg 24)

Change (pg 19)

Closed system (pg 21)

Complex adaptive system (pg 30)

Contingency theory (pg 25)

Differentiation (pg 18)

Evidence-based management (pg 11)

External environment (pg 17)

Governance function (pg 22)

Health networks (pg 14)

Health systems (pg 14)

Holograms (pg 35)

Human relations school (pg 25)

Human relations school (pg 25)

Innovation (pg 19)

Institutional theory (pg 28)

Institutional theory (pg 28)

Interorganizational relationships (pg 15)

Interorganizational relationships (pg 15)

Machines (pg 31)

KEY TERMS

Machines (pg 31)

Macro approach (pg 22)

Maintenance function (pg 21)

Management function (pg 22)

Managerial competencies (pg 36)

Micro approach (pg 22)

Open system (pg 21)

Organizational behavior (pg 22)

Playing fields (pg 34)

Political systems (pg 35)

Population ecology theory (pg 27)

Production function (pg 21)

Psychic prisons (pg 34)

Resource dependence theory (pg 26)

Scientific management school (pg 24)

Six essential aims (pg 8)

Social network perspective (pg 29)

Strategic management perspective (pg 26)

Tyrants (pg 31)

Vision/mission/goals (pg 17)

Match the Key Term to its Definition.

Key Terms	Key Definitions-Jumbled	Ans
1. Evidence-based management	a) Any modification in organizational composition, structure, or behavior—new or not new to the organization. Change is a broad concept. Innovation implies change, but not all change involves innovation	<input type="checkbox"/>
2. Health networks	b) Refers to the ability of an organization to create products and services that are different from its competitors	<input type="checkbox"/>
3. Health systems	c) The complex of social, policy, competitive, technological, financial, and community conditions and expectations within which the health care enterprise operates and to which it must relate for access to critical resources and legitimacy	<input type="checkbox"/>
4. Interorganizational relationships	d) As the health services environment grows in complexity and accelerates its rate of change, a key component of many organizations' strategies is to form relationships with other organizations	<input type="checkbox"/>
5. External environment	e) Arrangements among hospitals, physicians, and other provider organizations that involve direct ownership of assets on the part of the parent system	<input type="checkbox"/>
6. Differentiation	f) Strategic alliances that are contractual arrangements among hospitals, physicians, and other health services organizations	<input type="checkbox"/>
7. Change	g) The continual identification and application of available scientific knowledge to improve administrative decision making in health care or other industries	<input type="checkbox"/>

MATCHING – II

Match the Key Term to its Definition.

Key Terms	Key Definitions-Jumbled	Ans
1. Boundary spanning function	a) The focus of the human relations school is on the individual. This is one of the classical perspectives on organizations and has been applied in the health care sector to emphasize the usefulness of participatory decision making	<input type="checkbox"/>
2. Closed system	b) Posits that the selection of the most appropriate form of organization is dependent upon the particular circumstances of the environment in which the organization operates	<input type="checkbox"/>
3. Adaptation function	c) Classical bureaucratic theory is consistent with the closed system approach to organizations. Building on five key characteristics, the bureaucratic organizational form can achieve technical superiority under certain stable conditions	<input type="checkbox"/>
4. Governance function	d) This area is being given increasing attention because of the important public trust and social accountability responsibilities of health services organizations	<input type="checkbox"/>
5. Bureaucratic theory	e) The adaptation function helps the organization to anticipate and adjust to needed changes	<input type="checkbox"/>
6. Contingency theory	f) The closed system view assumes that at least parts of an organization can be sealed off from the external environment. The need for predictability, order, and efficiency is consistent with a closed system view of an organization	<input type="checkbox"/>
7. Human relations school	g) The boundary spanning function focuses between the organization and its external environment	<input type="checkbox"/>

Match the Key Term to its Definition.

Key Terms	Key Definitions-Jumbled	Ans
1. Institutional theory	a) This is an object in which each of the parts contains the entire essence of the overall object or image. Designing health services organizations as holograms emphasizes the need for flexibility, creativity, change, and innovation	<input type="checkbox"/>
2. Complex adaptive system	b) This metaphor identifies health care organizations as biological organizations that must adapt to their environments in the process of birth, growth, decline, and eventual death	<input type="checkbox"/>
3. Brains	c) Another metaphor for health services organizations that emphasizes bureaucratic traits	<input type="checkbox"/>
4. Machines	d) The metaphor of organizations as brains places emphasis on the importance of learning, intelligence, and information processing	<input type="checkbox"/>
5. Biological organisms	e) Are comprised of people and activities that mutually influence each other in complex ways with often-unpredictable outcomes. Elements of the system can evolve as they move forward together and interact over time	<input type="checkbox"/>
6. Holograms	f) Institutional theorists emphasize that organizations face environments characterized by external norms, rules, and requirements that the organization must conform to in order to receive legitimacy and support	<input type="checkbox"/>

SELF - EXAM**Multiple choice questions:**

1. The challenges facing _____ in the accompanying are representative of those facing any health care organization.
 - a) Henry Ford Health System (HFHS)
 - b) Health service
 - c) Health care
 - d) Health service management
2. _____ is the movement away from episodic treatment of acute illness.
 - a) Care system
 - b) Shift
 - c) Information technology
 - d) Organization theory
3. _____ involves the systematic application.
 - a) Evidence management
 - b) Evidence-based management
 - c) People competencies
 - d) Health service management
4. NHCL 2004, competency model involves _____.
 - a) Execution competencies
 - b) People competencies
 - c) Transformation competencies
 - d) Organization theory
5. _____ in addition to being desired characteristics of care for individuals.
 - a) Population basis
 - b) Group health
 - c) Health management
 - d) Health service management

6. In reality, many systems will have both owned and nonowned components representing _____ organizations.
 - a) Hybrid
 - b) Ecology
 - c) Health services
 - d) Organization theory
7. _____ are often described as unique.
 - a) Interorganizational relationship
 - b) Health systems
 - c) Health services organizations
 - d) Health service management
8. _____ is what the organization does.
 - a) External environment
 - b) Health networks
 - c) Mission
 - d) Organization theory
9. _____ are statements of what the organization needs.
 - a) Goals
 - b) Vision
 - c) Mission
 - d) Health service management
10. _____ are plans for achieving the organization's mission and goals.
 - a) Strategies
 - b) Health service organization
 - c) Health system
 - d) Organization theory

KEY TOPICS**Challenges Facing Health Care Industry:**

Value is created when for a given cost or price to the purchaser additional quality features desired by the purchaser are provided or, conversely, when a given level of quality services can be provided at a lower cost or price relative to other from whom purchasers can obtain the services. Providing greater value is a challenge for all health services organizations and to the professionals.

For example, Henry Ford Health System (HFHS) is one of the nation's leading comprehensive, integrated health systems providing acute, specialty, primary and preventive care services along with a commitment to teaching and research. In addition, the system owns an insurance company, the Health Alliance Plan, which serves more than 3,000 employer groups and 540,000 members. The system has approximately 12,700 full-time equivalent employees; has more than 2.5 million annual patient visits to physicians; admits 65,000 patients to its hospitals; and generates revenue of \$2.4 billion. HFHS faces a number of challenges including: (1) changing demographics, (2) continuing advances in medical technology and the biomedical sciences, (3) the growth of information technology, (4) workforce shortages and disruptions, and (5) dealing with the implications of globalization. To meet these challenges, HFHS has developed strategic priorities related to growth; financial stability; development of a county hospital; recruitment and retention of professional staff and employees; system positioning emphasizing integrated and strategic, operating, and financial planning; and continuous attention to quality and cost performance. In the latter regard, HFHS plans to implement half of the National Quality Forum endorsed thirty best practices for the safest hospitals in America and develop an ongoing mechanism to identify and spread quality improvements rapidly throughout the system.

Chapter One

Matching Exercise - I

1. g
2. f
3. e
4. d
5. c
6. b
7. a

Matching Exercise - II

1. g
2. f
3. e
4. d
5. c
6. b
7. a

Matching Exercise - III

1. f
2. e
3. d
4. c
5. b
6. a

ANSWER KEY

Self Exam

1. a) Henry Ford Health System (HFHS) (pg 7)
2. b) Shift (pg 8)
3. b) Evidence-based management (pg 11)
4. c) Transformation competencies (pg 11)
5. a) Population basis (pg 12)
6. a) Hybrid (pg 14)
7. c) Health services organizations (pg 15)
8. c) Mission (pg 17)
9. a) Goals (pg 17)
10. a) Strategies (pg 17)

