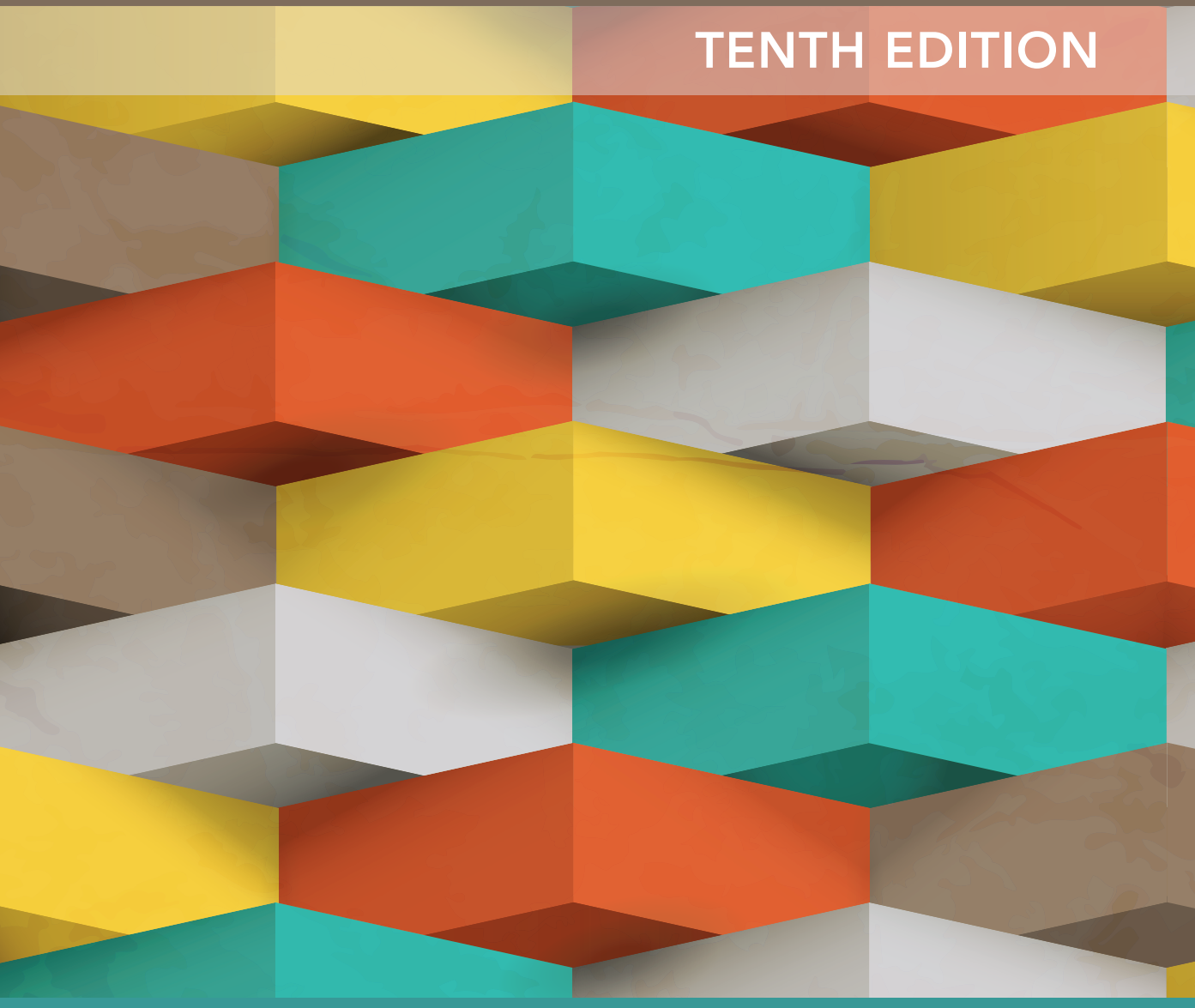
Dunn & Haimann's HEALTHCARE MANAGEMENT

TENTH EDITION



Rose T. Dunn

Dunn & Haimann's HEALTHCARE MANAGEMENT

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BRIEF CONTENTS

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DETAILED CONTENTS

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PREFACE

The challenges facing the healthcare industry today will require fine-tuned managerial skills. Healthcare managers must keep pace with revolutionary and sophisticated breakthroughs in medical science and technology, transparency of service outcomes and charges, an educated customer base, an aging population, and federal regulations growing exponentially.

At the center of all these changes is the supervisor, who has to bring and hold together the human resources, physical facilities, professional expertise, technologies, and other support systems necessary to provide care and monitor services rendered. In addition, these tasks have to be accomplished within the fiscal constraints of a more efficient healthcare system. Therefore, healthcare managers and supervisors must understand the complexities of the organization, generational motivational differences, regional healthcare demands, and the industry as a whole.

The twenty-first century healthcare organization is much different from the one where Theo Haimann first coached new supervisors in the early 1970s. However, his belief then remains accurate today—the hardest job in any organization is clearly that of the supervisor. The supervisor is responsible for motivating the team to achieve organization goals as set by the board of directors and senior leadership. The supervisor must be able to translate the goals into understandable and achievable terms for her team members and gain their buy-in; without the buy-in, the organization could fail.

Many first-level and middle-management team leader positions—such as department managers, supervisors, and group leaders—are filled by individuals with excellent technical skills who have limited or no formal education or training in administration, management, and supervision. This book is intended for these individuals.

The book is introductory in that it assumes no previous knowledge of the concepts of supervision and management. As such, this book also is written for students taking an introductory course in management, and it will acquaint them with their future roles in any organization (healthcare or otherwise). It can be used in any course in which managerial, supervisory, and leadership concepts are studied.

Because this book is designed to aid people with their supervisory tasks, it serves as a reference for those individuals who already hold managerial positions. Its purpose is to demonstrate that proficiency in supervision

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better equips them to cope with the ever-increasing demands of getting the job done. Because nonhealthcare entities have had success dealing with change and implementing efficient and effective practices, this books draws on many sources for its content to permit the supervisor to apply lessons learned by others, regardless of whether they were experienced in a healthcare environment.

To provide a practical organization for the book's management knowledge, I have chosen to use the functions of management as the primary framework: planning, organizing, staffing, influencing, and controlling. Each function is thoroughly addressed by breaking down and explaining its relationship to the material already presented. This approach allows any new knowledge, from behavioral and social sciences, quantitative approaches, or any other field, to be incorporated at any point.

The supervisor's job—to get things done with and through people—has its foundation in the relationship between the supervisors and the people with whom they work. For this reason, the supervisor must have considerable knowledge of the human aspects of supervision—that is, the behavioral factors and generational stimuli that motivate employees. This book attempts to present a balanced picture of such behavioral factors in the conceptual framework of managing.

This tenth edition of the book is sure to be a welcome addition to any manager's library. In this edition, much new material has been added, but the book retains the basic concepts and the emphasis on the five managerial functions. While preparing this edition, I have attempted to respond to each of the recommendations offered by readers and text reviewers.

At the end of most chapters, the reader will find additional resources in case she wishes to further study the chapter's concepts. All chapters have been updated with new information. Several major regulatory changes, such as accountable care organizations and the Patient Protection and Affordable Care Act, have surfaced since the ninth edition; these are introduced in Chapter 1 and referenced in other chapters. New glossary terms such as *information governance*, *population health*, and *medical home*; additional definitions for terms such as *open shop*, *meaningful use*, and *Big Data*; and emerging position titles such as *patient engagement officer* have been incorporated.

New tools and examples have been added to several chapters. Chapter 2 includes a new Gantt chart and a discussion of Peter Senge's entrepreneurial management theory. For Chapter 8, payback and return-on-investment examples have been added to help explain these capital budgeting techniques. An example of a rolling budget and discussion of the grow budget are now included in Chapter 26. The approaches to organizing have been enhanced with a discussion of project management incorporated in the last chapter.

From a human resources perspective, employee–employer collaborative activities to promote quality are discussed in Chapter 14, with the

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inclusion of the Innovation Mall, Elite Circle, and Innovation Community concepts. The benefits and pitfalls of social media are explored in Chapter 5 and surface in other chapters as well. A new National Labor Relations Board ruling regarding employee use of employer e-mail systems emerged as the text was being finalized for editing and is included in Chapter 27. Chapters 27 and 28, dealing with labor unions and grievances, respectively, were updated by our respected and experienced labor attorney, Marc J. Leff, Esq. However, as a reminder, neither chapter is intended to be a substitute for legal advice from an organization's legal counsel.

With the many changes taking place in healthcare today, I was not at a loss to find new management challenges to discuss and use as the basis for the last chapter, which traditionally has discussed emerging influences, technological advances, and consumer involvement in healthcare.

In writing this edition, I attempted to retain the enthusiasm for effective management exhibited by Theo Haimann, the professor for whom this book is named. Theo Haimann served as the Mary Louis Professor of Management Sciences at Saint Louis University until his death in November 1991. He always incorporated current management issues into his teachings. By doing so, he was able to keep the students' attention. This edition attempts to carry on the Haimann tradition.

Instructor resources for this book include PowerPoint slides for each chapter, suggested class activities and individual student assignments, and a test bank. For access to these instructor resources, please e-mail hapbooks@ache.org.

No book is ever the product of one person's efforts. Many individuals contributed to this book's development, editing, formatting, and publishing. I was fortunate to have some of the best working with me on this edition. Tulie O'Connor, acquisitions editor for Health Administration Press, thoroughly reviewed the manuscript and offered many valuable suggestions. Amy Carlton and Michael Noren kept the production running smoothly and crossed the t's and dotted the i's. Joyce Dunne provided thorough proofreading, and Larry Robertson lent his human resources expertise. In addition, several former and current clients of First Class Solutions allowed me to reproduce documents, policies, and other figures from their healthcare organizations. For these, I extend special thanks.

As always, I welcome your comments—good or bad—so that I can make the eleventh edition better.

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PART

I

STEPPING INTO MANAGEMENT

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CHAPTER

1

THE SUPERVISOR'S JOB, ROLES, FUNCTIONS, AND AUTHORITY

"Nobody can prevent you from choosing to be exceptional."
—Mark Sanborn, *The Fred Factor*

Chapter Objectives

After you have studied this chapter, you should be able to do the following:

1. Provide an overview of the rapidly changing healthcare environment and the challenges it poses for managers and supervisors.
2. Discuss the dimensions of the supervisor's job.
3. Review the aspects of the supervisor's position and the skills necessary to be successful in it.
4. Discuss the managerial role of the supervisor.
5. Enumerate and discuss the meaning, interrelationships, and universal nature of the five managerial functions.
6. Discuss the concept of authority and the foundation of the formal, organizational, and positional aspects of authority.

The Healthcare Perspective

Perhaps no other industry is as complicated and convoluted in structure, process, and product as the US healthcare industry (Cellucci and Wiggins 2010). The need and demand for high-quality, flexible, innovative, and energetic management in all healthcare delivery settings are intensifying. The market is demanding new delivery methods that have ease of access and do not require an overnight stay. For example, in the past, patients came to the healthcare facility; now, healthcare services are conveniently located near patients' homes and are accessible through satellite outpatient services, discount retailers, pharmacies, mobile screening units, health fairs at the grocery store, and—becoming more prevalent daily—telehealth (Graham 2013). Today's managers are challenged to effectively supervise their department operations and staffs in this decentralized environment.

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information governance
The activities and technologies used to manage the data stored in various systems, to convert those data to information, and to manage risks and costs associated with the data.

accountable care organization
A group of doctors, hospitals, and other healthcare providers that comes together voluntarily to give coordinated, high-quality care to Medicare patients.

value-based purchasing
A type of third-party payment system that holds providers responsible for both the costs and quality of care.

fee-for-service
A system that pays clinicians based on the number of services performed.

capitation
A system that pays physicians or healthcare organizations a fixed monthly amount for all individuals in a plan, regardless of whether they are treated.

However, healthcare is an ever-changing industry. The managers who work in it are committed to adjusting workflows to improve patient care. Many are using technological innovations to achieve this goal, but doing so may be frustrating and require continuous training. Today's clinicians and technicians have access to technology that is changing so rapidly that a more advanced version may be on the market before the version purchased has been installed. Other trends affecting healthcare managers include aging populations, an increasing number of chronic conditions, the constant need for business intelligence and **information governance**, and a rapidly changing reimbursement environment that affects the amount of resources available to pay for new technologies and staff. The introduction of **accountable care organizations**, managed care, and **value-based purchasing** arrangements[1] is inevitable, and many healthcare organizations lack the data they need to succeed in these areas. Medical practice managers and nursing home administrators also are feeling the pain of reimbursement declines and the same external forces. The traditional **fee-for-service** and **capitation** arrangements have been replaced with **pay-for-performance** fee schedules and incentive-driven value-based agreements.

Finances are being affected by regulations as well. **Prospective payment system** payment arrangements have resulted in significant cuts in reimbursement for services, compensation for capital expenditures, and teaching programs. The Patient Protection and Affordable Care Act (ACA),[2] also referred to as healthcare reform or "Obamacare," introduced health insurance options for Americans who lack insurance; however, at the same time, these insurance plans also may include high deductibles, thus creating additional collection burdens for healthcare organizations. Between the cuts and changes, healthcare organizations have been forced to better manage services and streamline operations without compromising the quality of care. Finally, the Health Information Technology for Economic and Clinical Health (HITECH) Act, coupled with the Health Insurance Portability and Accountability Act (HIPAA) regulations, has imposed major changes in the operations of information technology (including incentives for the use of electronic health records), patient financial services, compliance, health information management, and other areas.

New breakthroughs in science and technology (including robotics and telehealth) are likely to change key inpatient and outpatient services. Insurers are channeling patients to a few hospitals to receive high-tech care—such as lung, heart, and pancreas transplants—or to outpatient diagnostic and treatment centers to receive high-tech services, including nuclear cardiac imaging and spinal surgery. Healthcare facilities and providers, in turn, are creating centers of excellence to focus limited resources on the growth of more profitable service areas and niche markets.

According to the *Wall Street Journal* (Casselman 2013), the shortage of nurses has temporarily subsided; however, many nurses in the workforce today

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are from the baby boomer generation and will soon be retiring. Managers will be challenged with recruiting new nurses, training them, and ensuring that they are adequately supervised until they gain the skills of those seasoned veterans they replaced. Alternative staffing models that move some duties from nurses to other staff members may be considered. Sometimes called "nurse extenders," these staff members can record temperatures, pass medications, draw blood, collect specimens, and perform some patient care services, such as turning, exercising, and assisting patients when ambulating. Because nurse extenders are available in greater supply than nurses, and at hourly rates that are lower than nurses', nurse extender staffing models may be more cost effective for organizations. Extenders have been used in other professions, including in rural areas that may have a scarcity of physicians, where nurse practitioners and physician assistants may serve as the primary care providers for many individuals. When considering alternative models, managers must be aware of unions and unionization efforts to protect a category of employees (e.g., nurses) from being replaced (e.g., by nurse extenders).

pay-for-performance A system that pays clinicians based on their ability to meet specified quality and efficiency measures.

Finally, managers and supervisors will be working with a cross-generational workforce consisting of individuals from the baby boomer years (1946–1964) as well as generation X[3] and millennials.[4] Each of these groups has different life experiences that may affect its work ethic, aspirations, and work environment preferences. New managers should remember that it is their responsibility to create an environment that will allow employees to be successful in their work and that will allow the department or the organization to achieve its goals.

prospective payment system A system that pays physicians and healthcare organizations a fixed amount for every episode of care. For example, treatment for a particular injury is reimbursed at a flat rate regardless of the length of hospital stay or number of physician visits.

In addition to these factors, many other changes from all directions are affecting healthcare delivery. Challenges such as those considered in this chapter will continue to impose constraints on healthcare services and set higher expectations.

To pool labor, clinical, and capital resources and expertise, many facilities (inpatient and outpatient alike) are merging with nearby hospitals and outpatient facilities, prior competitors, or other strategically located organizations. Mergers, in some cases, have closed facilities. In fact, according to the Centers for Disease Control and Prevention (CDC 2013), the total number of short-stay, nonfederal hospitals dropped to 5,516 in 2011; this is more than 1,200 fewer hospitals than existed in 1975 (see Exhibit 1.1). Some states maintain a name change listing, such as Pennsylvania's Health Care Cost Containment Council (see Exhibit 1.2). Many closures were smaller rural hospitals, a situation that has been stemmed to some degree by the reclassification of such hospitals as **critical access hospitals**. Between 1991 and 2011, the number of rural hospitals decreased by 437, according to the American Hospital Association (2013).

critical access hospital A designation that allows a hospital to receive Medicare reimbursement based on its actual costs, which is generally more than typical Medicare reimbursement. The designation was intended to help hospitals in underserved areas.

Mergers and closures are not limited to hospitals. Physicians, laboratories, and home health agencies have seen similar consolidations. When mergers occur

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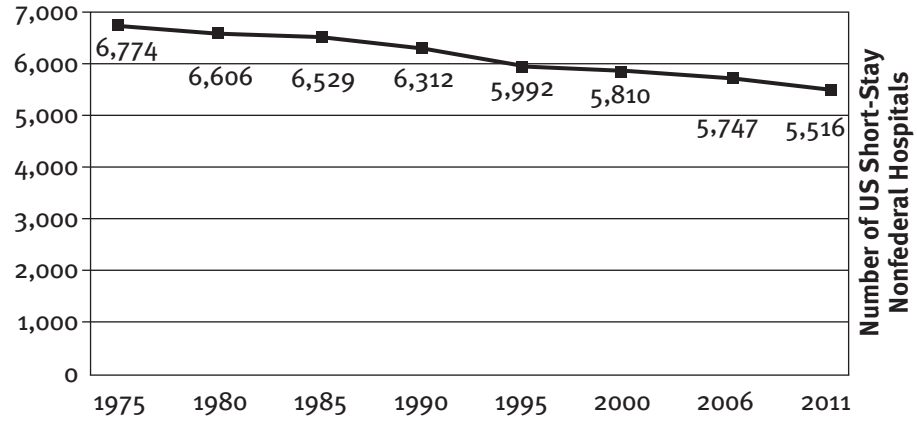
EXHIBIT 1.1
Number of US Short-Stay Nonfederal Hospitals

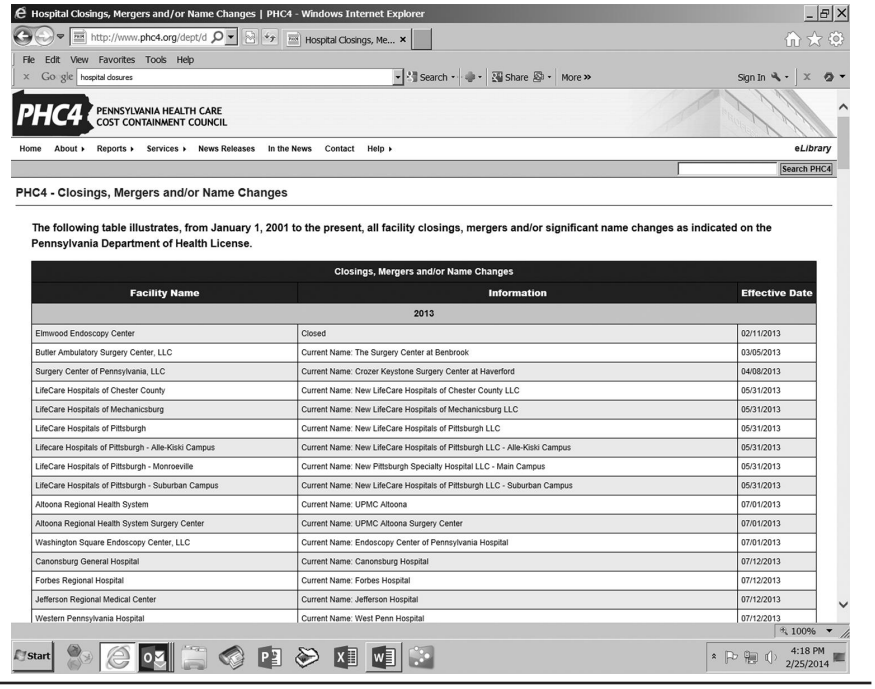


Source: Health, United States, 2013, National Center for Health Statistics.

and new entities are created, extensive and sophisticated long-range planning and good control over internal affairs are necessary. Thus, the radical reshaping of the healthcare field calls for more and better management. Managers, from CEOs down to first-line supervisors, are needed to help implement these changes and make their organizations function effectively.

The organization is the culmination of the management process. The organization is the incubator that brings resources together to provide a

EXHIBIT 1.2
State Name Change List



Hospital Closings, Mergers and/or Name Changes | PHC4 - Windows Internet Explorer

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PHC4 - Closings, Mergers and/or Name Changes

The following table illustrates, from January 1, 2001 to the present, all facility closings, mergers and/or significant name changes as indicated on the Pennsylvania Department of Health License.

Closings, Mergers and/or Name Changes		
Facility Name	**Information**	**Effective Date**
2013		
Elmwood Endoscopy Center	Closed	02/11/2013
Butler Ambulatory Surgery Center, LLC	Current Name: The Surgery Center at Benbrook	03/05/2013
Surgery Center of Pennsylvania, LLC	Current Name: Crozer Keystone Surgery Center at Haverford	04/08/2013
LifeCare Hospitals of Chester County	Current Name: New LifeCare Hospitals of Chester County LLC	05/31/2013
LifeCare Hospitals of Mechanicsburg	Current Name: New LifeCare Hospitals of Mechanicsburg LLC	05/31/2013
LifeCare Hospitals of Pittsburgh	Current Name: New LifeCare Hospitals of Pittsburgh LLC	05/31/2013
Lifecare Hospitals of Pittsburgh - Alle-Kiski Campus	Current Name: New LifeCare Hospitals of Pittsburgh LLC - Alle-Kiski Campus	05/31/2013
LifeCare Hospitals of Pittsburgh - Monroeville	Current Name: New Pittsburgh Specialty Hospital LLC - Main Campus	05/31/2013
LifeCare Hospitals of Pittsburgh - Suburban Campus	Current Name: New LifeCare Hospitals of Pittsburgh LLC - Suburban Campus	05/31/2013
Altoona Regional Health System	Current Name: UPMC Altoona	07/01/2013
Altoona Regional Health System Surgery Center	Current Name: UPMC Altoona Surgery Center	07/01/2013
Washington Square Endoscopy Center, LLC	Current Name: Endoscopy Center of Pennsylvania Hospital	07/01/2013
Canonsburg General Hospital	Current Name: Canonsburg Hospital	07/12/2013
Forbes Regional Hospital	Current Name: Forbes Hospital	07/12/2013
Jefferson Regional Medical Center	Current Name: Jefferson Hospital	07/12/2013
Western Pennsylvania Hospital	Current Name: West Penn Hospital	07/12/2013

Source: Pennsylvania Health Care Cost Containment Council (2014).

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service, create a product, or both. Management is the process by which healthcare organizations fulfill this responsibility. The manager is responsible for acquiring and combining the resources to accomplish the goals. As scientific, economic, competitive, social, and other pressures change, it is not the nurse or the technologist on whom the organization depends to coordinate the resources necessary to cope with the change; it is the manager. Management has emerged as a potent force in our society and has become essential to all healthcare endeavors.

Today's health services are almost exclusively delivered in organizational settings.[5] Only an organizational setting can bring together the physical facilities, professional expertise, skills, information systems, technology, and myriad other supports that today's health services delivery requires, whether these services are curative, rehabilitative, or preventive. However, the physical confines in which healthcare employees work are changing. In the past, all staff came to a physical location to work. Today, many tasks are performed remotely using the Internet and high-tech hardware and software. For example, some radiology interpretations (teleradiology) and some physician evaluation services (telemedicine) are handled long-distance or through robots, while non–patient care functions—such as billing, information systems, financial services, and purchasing—are often housed in facilities that are not on the same campus as the hospital or may be serving more than one organization. In addition, clinical coding and transcription are often performed at home (telecommuting). Those involved in the delivery of healthcare services and those managing the remote functions must understand the complexities of organizational life (behavior, development, and climate) and the importance of expert administration.

Because the delivery of healthcare largely means providing a service that is by nature people-intensive, approximately 54.2 percent of the operating revenues in the field are consumed by wages and benefits (Herman 2013). Therefore, it is not surprising that employee productivity is often scrutinized, and leaders are increasingly interested in outsourcing and offshoring services. Many feel the United States needs better administration throughout the healthcare industry. Frontline management—departmental supervisors, regardless of titles and nature of work—is responsible for the department functioning smoothly and efficiently. It is essential, therefore, that effective supervisors are developed in all areas of the healthcare field.

The Demands of the Supervisory Position

The supervisory position within any administrative structure is difficult and demanding. You probably know this from your own experience or by observing supervisors in the healthcare organizations in which you work. The supervisor, whether a manager of printing and mail services or a chief technologist in the

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clinical laboratory, can be viewed as the person in the middle of a pyramid structure. He serves as the principal link between higher administration (the top of the pyramid shown in Exhibit 1.3) and the employees (the base of the pyramid).

The job of almost any supervisor, regardless of whom or what she supervises, involves four major dimensions, or four areas of responsibility.

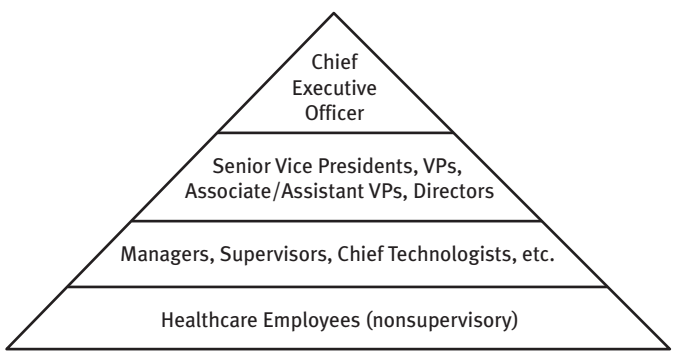
First, the supervisor must be a good boss, a good manager, and a team leader of the employees in the unit. This includes having the technical, professional, and clinical competence to run the department smoothly and see that the employees carry out their assignments successfully.

Second, the supervisor must be a competent subordinate to the next higher manager: In most instances, this person is an administrator, a center executive, or a director of a service. Ultimately, the supervisor's boss reports to owners of the organization or the board of directors or trustees.

Third, the supervisor must link the administration and the employees. For example, employees such as laboratory scientists, ultrasound technicians, and clerical support staff see their supervisor—who is perhaps the chief technologist—as the "administration." The employees communicate their concerns to the administration through the supervisor, and the supervisor communicates the goals and policies established by senior administration. The supervisor filters the employees' concerns into categories (i.e., those that the supervisor should address, those that the supervisor's boss should address, and those that should be pushed further up the ladder and may represent concerns shared by employees outside of the department). Similarly, the supervisor receives information from multiple levels in the hierarchy and decides which information should be passed on to immediate subordinates and to those working on the front line. Goal and policy communications must be shared with all staff because the supervisor must make certain the work gets done to achieve those goals.

Fourth, the supervisor must maintain satisfactory working relationships with the directors, leaders, and peer supervisors of all other departments and

EXHIBIT 1.3 The Administrative Pyramid



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services. The supervisor must foster a collegial relationship and coordinate the department's efforts with those of other departments to reach the overall objectives and goals of the institution. The supervisor must help the organization provide the best possible service and patient care regardless of which department or service gets credit.

The four dimensions of the supervisor's job are shown in Exhibit 1.4. The supervisor must succeed in vertical relationships downward with subordinates and upward with her superior. In addition, especially in project and ad hoc team activities, the supervisor must skillfully handle horizontal and vertical relationships with other supervisors, staff members, and superiors.

Henry Mintzberg (1973, 55–58) depicts these dimensions as roles common to the work of all managers. A role is an organized set of behaviors, and Mintzberg categorizes the roles into three groups: interpersonal, informational, and decisional.

interpersonal role A supervisor's behavior, such as relationships with other supervisors, that links all managerial work.

The **interpersonal roles**, such as relationships with other supervisors, link all managerial work. This role group includes serving as a leader and liaison and maintaining effective communication with peers, subordinates, superiors, and individuals outside of the organization.

informational role A supervisor's behavior that ensures that information is received and processed.

The **informational roles** ensure that information received is processed. In this capacity the manager collects information during monitoring activities, filters information received from others, and displays and disseminates information to others. Further amplification of this role is given in Drucker

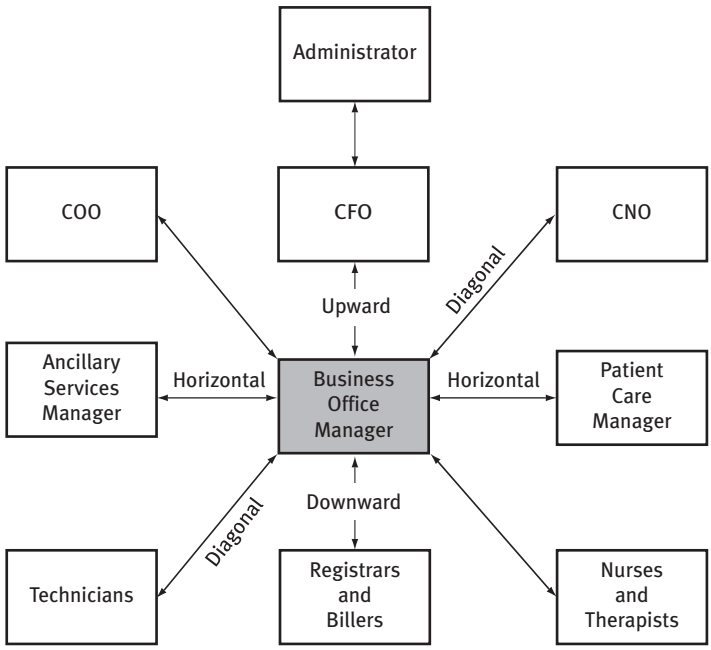

EXHIBIT 1.4 Four Dimensions of the Supervisor's Job

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and Collins's book, *Management*, where the authors suggest you must ask yourself what information you need to do your job and where you will find it. Related questions are what information you *owe* others and what they *owe* you (Rosenstein 2008).

decisional role
A supervisor's behavior that uses information to make decisions.

The **decisional roles** make use of the information for decision making. In this area the manager or supervisor may implement change based on the information he receives or collects. Doing so allows the manager to act in an entrepreneurial manner, according to Mintzberg. Alternatively, the information could be used as an alert to recognize when the organization may be threatened, when employees are disgruntled, or when work disruption may be imminent. In this situation, the role being played, according to Mintzberg, is one of "disturbance handler." The final two roles of the decisional group include resource allocator and negotiator. In both, the manager is using information to determine where resources can be best utilized and how to most economically and effectively obtain and use these resources.

Because of the complexity of these relationships, the role of the first-line supervisor in any organization is commonly acknowledged to be the most difficult. It is even more difficult for supervisors within the healthcare field, because their actions are directed by their facility's administrator as well as medical staff members. Additionally, their actions and the services provided by their departments affect patients, the quality of patient care, the people within the department, and the smooth overall functioning of the institution. In addition to their many professional obligations, healthcare supervisors must always bear in mind the needs and desires of patients and their relatives, who may be physically drained and emotionally upset. Thus, the supervisor should be informed of any concerns of her staff, the medical staff, and patients. All these considerations make the job of the healthcare supervisor particularly demanding and challenging.

For example, consider the long list of demands made on a charge nurse of a nursing unit. The charge nurse's duty is to provide for and supervise the nursing care rendered to the patients in the unit. She delegates some of her authority for the care of patients and the supervision of personnel to subordinate nursing team leaders, but she still must plan, direct, and control all activities within the nursing unit. She must make the rounds with medical and nursing staff. She also makes rounds to personally observe the safety, condition, and behavior of patients and to assess the need for and quality of nursing care. She may even have to assume general nursing functions in the care of patients who have complex problems or when vacancies exist.

Furthermore, the charge nurse must interpret and apply the policies, procedures, rules, and regulations of the facility in general and of nursing services in particular. She must provide 24-hour coverage of the unit by scheduling staff properly at all times. She is to communicate and report to her

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immediate patient care services superior all pertinent information regarding patients in her unit. She must orient new personnel to the unit and acquaint them with the general philosophies of the institution. She is responsible for continued in-service education in her unit, teaching personnel new patient care techniques and patient safety initiatives. She also participates in the evaluation of her subordinates.

In addition, part of the charge nurse's job is to coordinate her patient care with the care and therapeutic procedures of the various departments throughout the institution. Furthermore, she is involved in the design and regular reevaluation of the budget. She serves on a number of committees, in addition to attending all patient care management meetings. She may also be expected to help in the supervision and instruction of student nurses and medical **residents** when necessary. Many additional duties are often assigned to a charge nurse, depending on what the particular healthcare facility specifies in its description of this demanding position.

resident A physician who serves in a hospital during an internship or fellowship. May also be known as *house staff*.

Although it is difficult, if not impossible, to forecast when and how a new scientific or technological event will affect the supervisory position, every supervisor must keep abreast of changes affecting his profession. It is important that supervisors prepare themselves and their employees professionally, scientifically, technologically, and psychologically for changes that occur in the delivery of healthcare.

In addition to the medical and scientific breakthroughs, increased automation and its concomitant benefits and challenges will continue to affect all supervisors. Use of electronic health records and wireless handheld units, such as tablets and smartphones, has continued to expand. For clinicians, wherever there is connectivity to the web, patients can be monitored in real time, often through the clinician's cell phone (Topol 2011). Supervisors and their staffs have to be familiar with these technologies. While the infusion of technology into our day-to-day activities helps us to treat patients and do our jobs more efficiently, it also provides an avenue for misuse. Access to the latest information on virtually any subject is just a click away on the Internet. Supervisors, however, must be attentive to the time that subordinates spend on the Internet and their cell phones, as they could waste valuable work time. Concerns over privacy have heightened with inconspicuous cell phone camera and video capability.

With a growing, complex society and increasing demands for more sophisticated and better healthcare, the job of any supervisor in the field is likely to become even more challenging. This is true whether her title is health information manager, operating room supervisor, decision support analyst, plant operations foreman, or food service supervisor. The one factor that helps the supervisor cope with all of this responsibility is the continued advancement of her knowledge and skill in the managerial part of the job.

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This supervisory position is usually the first in a long career of administrative positions that require increasingly advanced management skills. For instance, a programmer analyst or software engineer may begin his ascent into management as an applications manager. After serving in this capacity for some time, he is promoted to network administrator, then to information technology director, and eventually to the organization's vice president or chief technology officer.

One may also move up the ladder in a less traditional way. For example, consider the staff nurse selected to manage the preregistration and scheduling activities. After serving successfully in this capacity for some time and establishing good relations with a managed care company, the staff nurse is recruited by a managed care organization to oversee the precertification unit and is given the title of precertification manager. She is then promoted to director of benefit determinations and eventually to assistant vice president for customer service and medical management.

Most of the tens of thousands of managerial positions in healthcare today are filled by healthcare professionals who have not had any formal administrative training or studied management or administration. Therefore, it is essential that the supervisor, department head, or leader learn as much as possible about being a competent first-line manager because that position is likely his first step in the climb up the managerial and administrative ladder.

The Managerial Aspects of the Supervisory Position

The job of a supervisor can be viewed in terms of three essential skills (Katz 1974). First, the good supervisor must possess technical skills to ensure that she understands the clinical and technical aspects of the work to be done. Next, the supervisor must possess human relations skills, which concern working with and motivating people and understanding individual and group feelings. Finally, the supervisor needs conceptual skills, which enable her to visualize the big picture and to understand how all parts of the organization contribute and coordinate their efforts. The relative degree of importance of all three skills depends on the level of the position within an organization; however, all levels of management require these skills at one time or another.

More recently, other authors have proposed leadership competencies that use the Katz skills as a foundation. Perra (2001) recommended an integrated leadership model promoting staff participation whereby the leader's characteristics included shared vision, participation, communication, and the ability to facilitate change. Contino (2004) identified organizational management, communication, strategic planning, and creative skills as key competencies. Finally, Longest (1998) listed conceptual, technical, interpersonal, and political skills.

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Each of these authors also identified other skills, but there continues to be a correlation today with those skills Katz defined more than four decades ago.

Let us consider how the skills and roles we have been discussing may apply to the performance of two supervisors. John, a supervisor at Hometown Hospital, often appears harassed, disorganized, and overly involved in doing the job at hand; he muddles through his day and is constantly knee-deep in work. He puts in long hours and never fears doing anything himself. He works exceedingly hard but never seems to have enough time left to actually supervise. Jane, a supervisor at Upstate Hospital, is on top of the job, and her department functions in a smooth and orderly fashion. She finds time to sit at her desk at least part of each day and keep her desk work up to date. Why is there such a difference between John and Jane?

Some supervisors are more capable or proficient than others. If you compare John and Jane to discover why Jane is on top of her job and John is constantly fixing things himself, you will probably find that Jane understands her job better and has developed subordinate staff to whom she can safely delegate assignments. Assume that both are equally good professionals, both have graduated from reputable health administration programs in the same community and have similar staffing ratios and technology available, and the conditions under which they perform are similar. Jane's results are significantly better than John's because she is simply a better manager. She is able to supervise the functions of her department in a manner that allows her to get the job done through and with the people of her department. The difference between a good supervisor and a poor supervisor, assuming everything else is equal, is the difference in each person's managerial abilities.

However, the managerial aspect of the supervisor's position has long been neglected. Instead, the emphasis has been placed on clinical and technical competence. Many new managers are appointed from the ranks of one of the various professional, clinical, or technical services or trades. As a result of their ingenuity, initiative, and personal drive, they are promoted to the supervisory level and are expected to assume the responsibilities of managing the unit. Little is probably done, however, to acquaint them with these responsibilities or to help them cope with the managerial aspects of the new job. More or less overnight, they are made a part of administration without having been prepared to be a manager. These new managers are oriented by their predecessors, and they learn more from other managers, but some problems are likely. These may be dealt with by a better understanding of the supervisory aspects of the job so that the managers are running the department instead of the department running them.

The aim of this book is to teach individuals to be successful healthcare managers. This does not mean that one can neglect or underestimate the actual work involved in getting the job done. Often, the supervisor is the most skilled

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individual in the department and can do a more efficient and quicker job than anyone else. He must not be tempted, however, to step in and take over the job, except for purposes of instruction, during extended vacancies, or in case of an emergency. Rather, the supervisor's responsibility is to ensure adequate staffing and to see that the employees can do the job and do so properly. As a manager, the supervisor must plan, guide, and supervise.

The Meaning of Management

The term *management* has been defined in many ways. A meaningful definition for our purposes is the process of getting things done through and with people by directing and motivating the efforts of individuals toward common objectives. You have undoubtedly learned from your own experience that in most endeavors one person alone can accomplish relatively little. For this reason, people have found it expedient and even necessary to join with others to attain the goals of an enterprise. In every organized activity, the manager's function is to achieve the goals of the enterprise with the help of subordinates, peers, and superiors.

Achieving goals through and with people is only one aspect of the manager's job, however; creating a working atmosphere—that is, a climate or a culture in which subordinates can find as much satisfaction of their needs as possible—is also necessary. In other words, a supervisor must provide an environment conducive for the employees to fulfill such needs as recognition, achievement, and companionship. If these needs can be met on the job, employees are more likely to strive willingly and enthusiastically toward the achievement of departmental objectives as well as the overall objectives of the institution. Thus, we must add to our earlier definition of management: The manager's job is getting things done through and with people by enabling them to find as much satisfaction of their needs as possible, and motivating them to achieve both their own objectives and the objectives of the institution. The better the supervisor performs these duties, the better the departmental results are.

You may have noticed by this time that the terms *supervisor*, *manager*, and *administrator* have been used interchangeably. The exact meaning of these titles varies with different institutions, but the terms *administrator* and *executive* are generally used for top-level management positions and *manager*, *leader*, and *supervisor* usually connote positions within the middle or lower levels of the institutional hierarchy. Some theoretical differences may be considered, but for the purposes of this book, these terms are used interchangeably. Furthermore, the use of gender terms—he or she—are not used to the exclusivity of the other.

As you read this book you will discover that the managerial aspects of all supervisory jobs are the same. This is true regardless of the supervisor's

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department, section, or level within the administrative hierarchy. Thus, the managerial content of a supervisory position is the same whether the position is director of case management, head of environmental services, chief engineer in the maintenance department, or lead clinical dietitian. By the same token, the managerial functions are the same for the first-line supervisor, mid-level manager, or top administrator. In addition, the type of organization in which you work does not matter; managerial functions are the same for a commercial or industrial enterprise, not-for-profit or for-profit organization, professional association, government agency, and hospital or other healthcare facility. Regardless of the activities of the organization, department, or level, the managerial aspects and skills are the same. The difference is in the extent to which or frequency at which a supervisor performs each of the tasks.

Managerial Skills and Technical Skills

Managerial skills must be distinguished from the professional, clinical, and technical skills that are also required of a supervisor. As stated before, all supervisors must possess special technical skills and professional know-how in their field. Technical skills vary between departments, but any supervisory position requires both professional technical skills and standard managerial skills. Mere technical and professional knowledge is not sufficient.

It is important to note that as a supervisor advances up the administrative ladder, she will rely less on professional and technical skills and more on managerial skills. Therefore, the top-level executive generally uses far fewer technical skills than those who are employed under her. In the rise to the top, however, the administrator has had to acquire all the administrative skills necessary for the management of the entire enterprise.

Consider the following real-life example; the real name of this supervisor has been disguised. Ray Andrews, who had been an English major in college, taught junior high school. When his teaching salary became inadequate to support his growing family, Ray joined an insurance company as a claims adjudicator (a base-level position). He noticed abnormalities in some claims from some providers and researched these for his superior. Eventually he was promoted to the fraud investigations unit and ultimately directed that operation until he was promoted to oversee all claims and investigations functions. Ray interacted well with physicians and insurance representatives alike. As he gained more experience, he began negotiating arrangements with physician groups and hospitals for preferred provider organizations (PPOs) and health maintenance organizations (HMOs). He was selected to be CEO of a national HMO and was very successful. At each step of his advancement, Ray built on prior experience and knowledge, but he did not need to personally perform all activities to ensure the success of the HMO. He left the details to his proficient subordinates.

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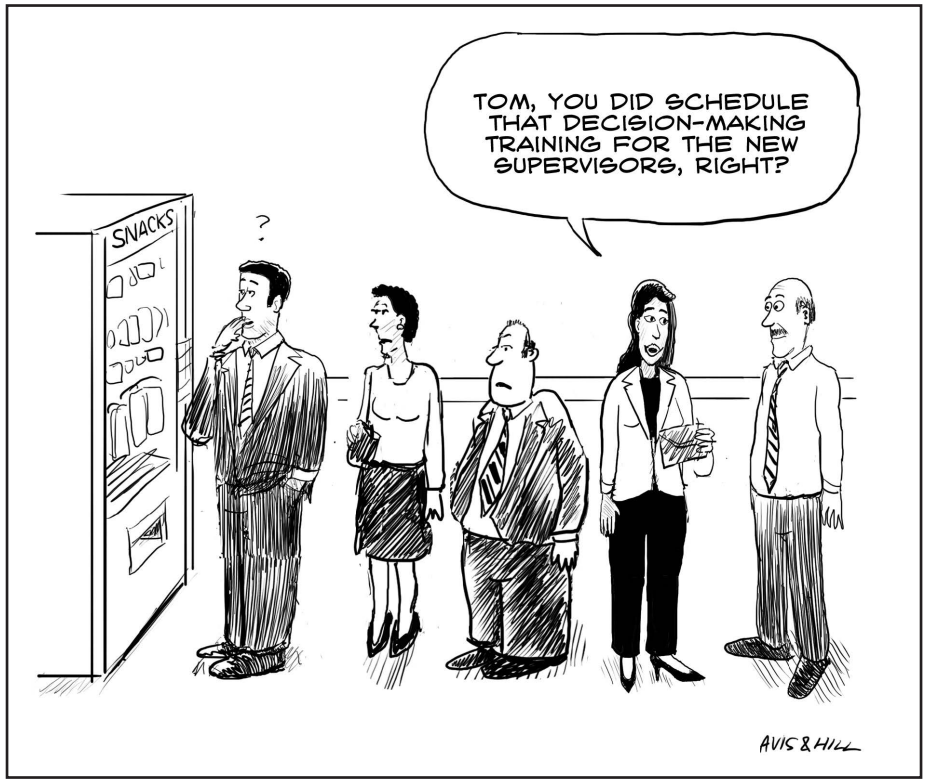
Hospital Land



Similarly, the CEO of a healthcare system is concerned primarily with the overall management of hospitals and affiliated clinics, diagnostic centers, and other entities within the system. His functions are almost purely administrative. In this endeavor, the chief executive depends on the administrative, managerial, and technical skills of the various subordinate administrators and managers, including all the first-line supervisors, to get the job done. The CEO, in turn, uses managerial skills in directing the efforts of all these subordinate executives toward the common objectives of the hospital.

How does a supervisor acquire these important managerial skills? First, she must understand that standard managerial skills can be learned. Although good managers, like good athletes, are often assumed to be born, not made, this belief is not based in fact. We cannot deny that people are born with different physiological and biological potential and that they are endowed with differing amounts of intelligence and vary in terms of many other characteristics; a person who is not a natural athlete is not likely to run 100 yards in record time. Many individuals who are natural athletes, however, have not come close to that goal either.

A good athlete is made when a person with some natural endowment develops it into a mature skill by practice, learning, effort, sacrifice, and

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experience. The same holds true for a good manager; by practice, learning, and experience she develops this natural endowment of intelligence and leadership into mature management skills. One can learn and practice the skills involved in managing as readily as the skills involved in playing tennis.

If you are an advanced student of healthcare management, or you currently hold a team leader or supervisory position, you likely have the necessary prerequisites of intelligence and leadership and are now ready to acquire the skills of a manager. Developing these skills takes time and effort; they are not acquired overnight.

The most valuable resource of any organization is the people who work there, or the human resources. The first-line supervisor is the person to whom this most important resource is entrusted in the daily working situation. The best use of an organization's human assets depends greatly on the managerial ability and understanding of the supervisor, as manifested by his expertise in influencing and directing them. The supervisor's job is to create a climate of motivation, satisfaction, leadership, and continuous further self-development and self-improvement. This is a challenge to every supervisor, because it means he must also continue to develop as a manager.

Managerial Functions and Authority

The supervisor's managerial role rests on two foundations: managerial functions and managerial authority. **Managerial functions** are those that must be performed by a supervisor for him to be considered a true manager. The concept of authority inherent in the supervisory position is briefly discussed later in this chapter and more extensively throughout the book.

managerial functions Functions that must be performed by a supervisor for him to be considered a true manager.

Five managerial functions are described in this book: planning, organizing, staffing, influencing, and controlling the resources of the organization. The resources include people, positions, technology, physical plant, equipment, materials, supplies, information, and money. (The labels used to describe managerial functions vary somewhat in management literature; some textbooks list one more or one less managerial function. Regardless of the terms or number used, the managerial functions are interrelated and goal driven and constitute one of the two major characteristics of a manager.) A person who does not perform these functions is not a manager in the true sense of the word, regardless of title. The following explanation is introductory; most of the book is devoted to the discussion, meaning, and ramifications of each of these five functions.

Planning

Planning involves developing a systematic approach for attaining the goals of the organization. This function consists of determining the goals, objectives,

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policies, procedures, methods, rules, budgets, and other plans needed to achieve the purpose of the organization. In planning, the manager must contemplate and select a course of action from a set of available alternatives. In other words, planning is laying out in advance the goals to be achieved and the best means to achieve them.

You may have observed supervisors who are constantly confronting one crisis after another. Much like a statement in *Alice in Wonderland*, "If you don't know where you are going, any path will get you there," the probable reason for these crises is that the supervisors did not plan or look ahead. It is every manager's duty to plan; this function cannot be delegated to someone else. Certain specialists may be called on to assist in laying out various plans, but as the manager of the department, the supervisor must make departmental plans. These plans must coincide with the overall objectives of the institution as laid down by higher-level administration. Within the overall directives and general boundaries, however, the manager has considerable leeway in mapping out the departmental course.

Planning must come before any of the other managerial functions. Even after the initial plans are laid out and the manager proceeds with the other managerial functions, the function of planning continues in revising the course of action and choosing different alternatives as the need arises. Therefore, although planning is the first function a manager must tackle, it does not end at the initiation of the other functions. The manager continues to plan while performing the organizing, staffing, influencing, and controlling tasks.

Organizing

Once a plan has been developed, the manager must determine how the work is to be accomplished—that is, arrange the necessary resources to carry out the plan. The manager must define, group, and assign job duties. Through organizing, the manager determines and enumerates the various activities to be accomplished and combines these activities into distinct groups (e.g., departments, divisions, sections, teams). The manager further divides the group work into individual jobs, assigns these activities, and provides subordinates with the authority needed to carry out these activities.

In short, to organize means to design a structural framework that establishes all of the positions needed to perform the work of the department and to assign duties to these positions. Organizing encompasses the following elements:

- *Specialization*: a technique used to divide work activities into easily managed tasks and assign those tasks to individuals based on their skills.
- *Departmentalization*: a technique used to divide activities and people according to the needs of the organization or its customers.

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- *Span of management*: a concept that defines the optimum number of subordinates a supervisor can effectively manage.
- *Authority relationships*: a set of theories concerning individuals' rights to make decisions, make assignments, direct activities, and so on regarding managing people, materials, machinery, expenses, and revenues.
- *Responsibility*: the obligation to perform certain duties.
- *Unity of command*: the concept that each individual should have one person to report to for any single activity.
- *Line and staff*: the theory that defines whether one has the authority to direct (a line capacity) or advise (a staff capacity).

These and other factors are discussed throughout the book. The result of the organizing function is the creation of an activity–authority network for the department, which is a subsystem within the total healthcare organization.

Staffing

Staffing refers to the manager's responsibility to recruit and select employees who are qualified to fill the various positions needed. The manager must also remain within the budgeted labor amount for the department.

Besides hiring, staffing involves training employees, appraising their performance, counseling them on how to improve their performance, promoting them, and giving them opportunities for further development. Staffing also includes compensating employees appropriately. In most healthcare institutions, the department of human resources helps with the technical aspects of staffing. The basic authority and responsibility for staffing, however, remain with the supervisor.

Influencing

The managerial function of influencing refers to issuing directives and orders in such a way that staff respond to these directives to accomplish the job. Influencing also means identifying and implementing practices to help the members of the organization work together. This function is also known as leading, directing, or motivating.

It is not sufficient for a manager to plan, organize, and staff. The supervisor must also stimulate action by giving directives and orders to the subordinates, then supervising and guiding them as they work. Moreover, it is the manager's job to develop the abilities of the subordinates by leading, teaching, and coaching or mentoring them effectively. To influence is to motivate one's employees to achieve their maximum potential and satisfy their needs and to encourage them to accomplish tasks they may not choose to do on their own.

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Thus, influencing is the process around which all performance revolves; it is the essence of all operations. This process has many dimensions, such as employee needs, morale, job satisfaction, productivity, leadership, example setting, and communication. Through the influencing function, the supervisor seeks to model performance expectations and create a climate conducive to employee satisfaction while achieving the objectives of the institution. Much of a manager's time is spent influencing and motivating subordinates.

Controlling

Controlling is the function that ensures plans are followed, that performance matches the plan, and that objectives are achieved. A more comprehensive definition of controlling includes determining whether the plans are being carried out, whether progress is being made toward objectives, and whether other actions must be taken to correct deviations and shortcomings. Again, this relates to the importance of planning as the primary function of the manager. A supervisor could not check on whether work was proceeding properly if there were no plans to check against. Controlling also includes taking corrective action if objectives are not being met and revising the plans and objectives if circumstances require it.

The Interrelationships of Managerial Functions

It is helpful to think of the five managerial functions as the management cycle. A cycle is a system of interdependent processes and activities. Each activity affects the performance of the others. As shown in Exhibit 1.5, the five functions flow into each other, and at times there is no clear line indicating where one function ends and another begins. Because of this interrelationship, no manager can set aside a specific amount of time each day for one or another function. The effort spent on each function varies as conditions and circumstances change. The planning function, however, undoubtedly must come first. Without plans the manager cannot organize, staff, influence, or control. Throughout this book, therefore, we shall follow this sequence of planning first, then organizing, staffing, influencing, and controlling.

Although the five managerial functions can be separated theoretically, in the daily job of the manager these activities are inseparable. The output of one provides the input for another, all as elements of a system.

Universality of the Managerial Functions and Their Relation to Position and Time

Whether as chair of the board, president of the healthcare center, vice president for patient care, or supervisor of the telephone operators, a manager performs all five functions. This idea is known as the principle of *universality of managerial functions.* The time and effort that each manager devotes to a

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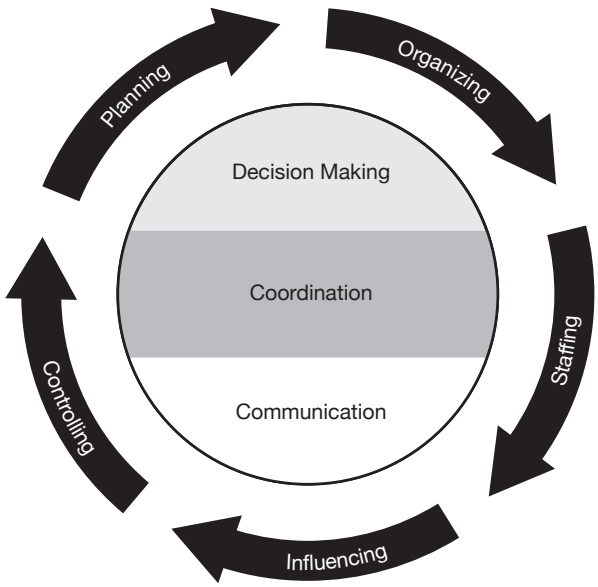

EXHIBIT 1.5 Cycle of Supervisory Functions

particular function vary, however, depending on the individual's level within the administrative hierarchy.

The CEO is likely to plan, for example, one year, five years, or even ten years ahead. A supervisor is concerned with plans of much shorter duration. At times, a supervisor has to make plans for 6 or 12 months ahead but more frequently just makes plans for the next month, the next week, or even the next day or shift. In other words, the span and magnitude of plans for the supervisor are smaller.

The same is true of the influencing function. The CEO normally assigns tasks to subordinate managers, delegates authority, and depends on those managers to accomplish tasks. She spends a minimum of time in direct supervision. A first-line supervisor, however, is concerned with getting the job done each day, so he has to spend much time in the influencing or directing function. Similar observations can be made for organizing, staffing, and controlling (see Exhibit 1.5).

Managerial Authority

The second major characteristic of the managerial position is the presence of authority. Authority is the lifeblood of any managerial position; a person in an organizational setting cannot be a manager without it. Why is authority the primary characteristic of the managerial position? Briefly, **managerial authority** is legal or rightful power—the right to act and to direct others. It is the power by which a manager can ask subordinates to do, or not to do, a certain task that he deems appropriate and necessary to realize the objectives of the department.

managerial authority The legal or rightful power of a manager to act or to direct others.

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One must realize that this kind of organizational authority is part of the formal position a manager holds and is not given to the manager as an individual. This concept of authority must also include the possession of power to impose sanctions when necessary. Without such power to enforce order, the enterprise could become disorganized, and chaos could result. If a subordinate refuses to carry out the manager's directive, managerial authority includes the right to take disciplinary action and possibly to discharge the employee.

This aspect of authority obviously has many restrictions, including legal restrictions; the terms of organized labor contracts; tenets of organizational policy; and considerations of morals, ethics, social responsibility, and human behavior. For example, legal restrictions and organizational procedures require fulfilling many disciplinary and documentation steps before an employee can be dismissed. Also, every successful manager must take into consideration human behavior in the workplace: To influence and motivate subordinates to perform required duties, it is best not to depend on formal managerial authority but to use other persuasive means to accomplish the job. In other words, it is far better not to depend on the negative aspects of dominance and authority.

In practice, most managers do not speak of authority at all; they prefer to speak of the responsibility, tasks, or duties they have. Such managers are right in saying that they have the responsibility for certain activities instead of saying that they have the authority to get the job done. For a supervisor, however, having authority means having the power and right to issue directives. Once you accept responsibility to oversee a certain project and achieve a certain outcome, you can delegate authority to lower-level staff to complete the project, but you cannot delegate the responsibility. The responsibility lies with you to accomplish the task through proper planning, organizing, staffing, influencing, and controlling.

The discussion in Part IV on the meaning and bases of authority sheds additional light on this concept. It examines how subordinates and workers react to authority and how authority is delegated. Delegation of authority means the process by which a supervisor receives authority from the superior manager as well as the process by which some of the authority assigned to this position is delegated to subordinates. Just as authority is the foundation of any managerial position, delegating authority to the lower ranks within the managerial hierarchy makes it possible to build an organizational structure with effective managers on every level.

Authority is discussed more fully throughout this book because it plays such an important role in supervisory management. This concept of formal positional authority eventually becomes a part of an entire spectrum of influence and power. At this point, however, you need only remember that authority is one of the basic characteristics of the managerial job. Without authority, managerial functions and the supervisor–subordinate relationship are weakened and become meaningless.

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Expect Surprises

New managers always find challenges and surprises, but even new and seasoned CEOs experience surprises. This text will better prepare leaders at both levels. One need not look further than the role of the US president to see the paradox that the more power you have, the harder it is to use due to the complexity of gaining the support of those who must support your vision (Porter, Lorsch, and Nohria 2004). Supervision requires collaboration with subordinates, peers, and superiors. We will discuss collaboration further in Chapter 4.

New supervisors will find that they cannot single-handedly run their department without the department workers' cooperation. A supervisor does not have enough time to do everyone's job, so he must rely on his employees to do theirs. We will learn in later chapters the art of giving directives or orders and the messages that are received by employees when a directive is given to them. The key to giving orders is to recognize that unilaterally giving them may trigger resentment and result in demoralization (Porter, Lorsch, and Nohria 2004). We also will learn that cooperating with others outside of your department is a necessity for achieving certain goals.

As noted earlier, the supervisor must use the information he receives to determine next steps. The supervisor who nurtures information channels from peers, subordinates, and superiors will experience fewer surprises.

Finally, supervisors are expected to serve as role models. Those new to their position may be surprised to find that news about the slightest misstep will spread throughout the department.

Regardless of the challenges and workload that confront you, the new supervisor must balance work and personal needs. The focus of this text is to help you understand your role and provide you with some tools to work through these day-to-day challenges.

Benefits of Better Management

The benefits a supervisor derives from learning to be a better manager are obvious. First, he is given many opportunities to apply managerial principles and knowledge. Good management by a supervisor makes a great deal of difference in the performance of the department: It functions more smoothly, work gets done on time, budget objectives are met, and team members or subordinates enthusiastically contribute to the ultimate objectives.

The application of management principles puts a supervisor on top of her job, instead of being "swallowed up" by it. She also has more time to be concerned with the overall aspects of her department and, in so doing, becomes more valuable to those to whom she is responsible. For example, she is more likely to contribute significant suggestions and advice to her

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superiors, perhaps in areas about which she has never before been consulted but that ultimately affect her department. In these times of rapid change and facility mergers and acquisitions, she may also find that she sees more easily the complex interrelationships of the various departments and organizations throughout the evolving healthcare system, which, in turn, helps her work in closer harmony with her colleagues who are supervising other departments. In short, she is able to do a more effective supervisory job with much less effort.

In addition to the direct benefits of doing a better supervisory job for her healthcare organization, she may gain other benefits. As a supervisor applying sound management principles, she will grow in stature. As time goes on, she will be capable of handling more important and more complicated assignments. She will advance to better and higher-paying jobs. She will move up within the administrative hierarchy and will naturally want to improve her managerial skills as she advances.

As stated earlier, an additional, satisfying thought is that the functions of management are equally applicable in any organization and in any managerial or supervisory position. That is, the principles of management required to produce 3D wedding cakes, manage a retail department, supervise office work, or run a repair shop are all the same. Moreover, these principles are applicable not only in the 670,000 healthcare organizations in the United States but in other parts of the world as well (US Census Bureau 2012). Aside from local customs and questions of personality, it would not matter whether a supervisor works in a textile mill in India, as a chief chemist in a chemical plant in Italy, as a department foreman in a steel mill in Pittsburgh, or as a supervisor of the patient-focused care unit for trauma care in a hospital in San Francisco. Being a manager means being more mobile in every direction and in every respect.

Therefore, there are great inducements for learning the principles of good management. Again, however, do not expect to learn them overnight. A supervisor can only become a good manager by actually managing—that is, by applying the principles of management to her own work. The supervisor will undoubtedly make mistakes occasionally but will, in turn, learn from those mistakes. The principles and guidelines of management discussed in this book can be applied to most situations, and efforts to become an outstanding manager will pay substantial dividends. As managerial competence increases, many of the errors and difficulties that make a supervisory job a burden instead of a challenging and satisfying task can be prevented.

Summary

The demands on good management in healthcare activities are increasing rapidly, making the role of the supervisor most challenging. To employees

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in the department, the supervisor represents management. To supervisors in other departments, he is a colleague, coordinating efforts with theirs and sharing information to achieve the organization's objectives. The supervisor must possess technical, human, and conceptual skills; he must have the clinical and technical competence for the functions to be performed in the department and at the same time must manage that department. Good managers are made; they are not born.

Management is the function of getting things done through and with people. The way a supervisor handles the managerial aspects of the job makes the difference between running the department and being run by the department. The managerial aspects of any supervisory job are the same, regardless of the particular type of work involved or the position on the administrative ladder. As a supervisor climbs this ladder, his managerial skills increase in importance, and the technical and professional skills gradually become less important. The five managerial functions of planning, organizing, staffing, influencing, and controlling compose the first of the two benchmarks of the manager's job. Each function blends into another, and each affects the performance of the others. The output of one provides the input for another. These five functions are universal for all managers, regardless of position in the managerial hierarchy and the nature of the enterprise. The time and effort involved in each function vary, depending on the manager's position on the administrative ladder.

The second benchmark of the managerial job is authority; it makes the managerial position real. This organizational, formal authority is delegated to positions within the organization, permitting those who hold it to make decisions, issue directives, take action, and impose sanctions. To be successful, a manager must recognize that this is a new environment and there will be surprises. However, by embracing the managerial functions and using the authority she has been given, a manager will be able to achieve the goals for which she is responsible. A supervisor benefits greatly both professionally and personally if she takes the time to study and acquire managerial expertise and excellence.

Notes

1. "The concept of value-based health care purchasing is that buyers should hold providers of health care accountable for both cost and quality of care. Value-based purchasing brings together information on the quality of health care, including patient outcomes and health status, with data on the dollar outlays going towards health. It focuses on managing the use of the health care system to reduce inappropriate

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care and to identify and reward the best-performing providers. This strategy can be contrasted with more limited efforts to negotiate price discounts, which reduce costs but do little to ensure that quality of care is improved" (Meyer, Rybowski, and Eichler 1997).

2. According to the National Conference of State Legislatures (2011), the ACA includes provisions that are intended to expand access to insurance, increase consumer protections, emphasize prevention and wellness, improve quality and system performance, expand the health workforce, and curb rising healthcare costs.
3. Members of generation X (born 1965–1980) have embraced free agency over company loyalty. Ambitious, technologically adept, and independent, gen Xers strive to balance the competing demands of work, family, and personal life (*Holiday Inn Express Navigator* 2000/2001).
4. Millennials, also known as generation Y, were born between 1980 and 2000.
5. Organizational settings comprise any healthcare-related entity, including but not limited to hospitals, nursing homes, clinics, surgical centers, urgent care centers, group model HMOs, physician offices, rehabilitation centers, and home care programs.

Additional Readings

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CHAPTER

2

THE THEORIES AND HISTORY OF MANAGEMENT

"The only thing worse than learning from experience is not learning from experience."
—Unknown

Chapter Objectives

After you have studied this chapter, you should be able to do the following:

1. Identify the major schools of management theory.
2. Discuss the impact of the Industrial Revolution on management and employee relations.
3. Discuss the features and benefits of organizational development.
4. Distinguish among rational authority, positional authority, and charismatic authority.

Chapter 1 defined management as getting activities efficiently accomplished through people. "Efficiently" implies using the least amount of resources to achieve the goal. Chapter 1 encouraged new supervisors to learn as much about management as possible. Although much learning will occur while on the job, some advantages can be gleaned from studying various schools of management thought. This chapter provides an overview of some significant management theories.

These theories touch on each of the five managerial functions: planning, organizing, staffing, influencing, and controlling. New theories are introduced every day, and each serves as a building block for the next. Because of this, management theory will continue to evolve to meet the needs of society. However, management is not a new theory. Egyptian leaders managed thousands of laborers to build the great pyramids. The Chinese built the Great Wall, and the Romans built aqueducts. To be achieved, these projects each required planning, organizing, staffing, influencing, and controlling.

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Industrial Revolution (1700s–1800s)

No two countries were more responsible for the Industrial Revolution than the United States and England. In his article, "The Two Countries That Invented the Industrial Revolution," Curt Anderson (2001) points out that during the eighteenth and nineteenth centuries, England had no shortage of skilled labor. When machines were invented to automate certain tasks, few English workers lost their jobs. Instead, the machines made work more precise. By contrast, in the sparsely populated United States, the needs of a new nation required rapid and simple means of production. Machines augmented the scant workforce. Whereas in England machines served to make talented artisans better, machines in the United States served to make entrepreneurs more productive.

The Industrial Revolution changed the manager's job from owner-manager to professional, salaried manager (Robinson 2005). This eighteenth-century phenomenon transformed the United States from an agricultural society to one that manufactured goods at small mills, shops, and factories. The shops became our early organizations—that is, two or more people working together in a structured, formal environment to achieve a common goal. As the twentieth century opened, many small shops grew into factories as the inventions, machines, and processes used to manufacture goods advanced, division-of-labor concepts were applied, and electricity and the internal combustion engine were developed. Ford Motor Company, the Radio Corporation of America (RCA), Bell Telephone and Telegraph, and many other companies emerged during this era.

The church and the military served as models for the management and organization structures of these new entities. Today's managers can find terms (e.g., superior, subordinate, strategy, hierarchy, mission) in the Bible and in ecclesiastical and military writings that date back to the late 1500s.

Raymond E. Miles's (1978) book, *Theories of Management: Implications for Organizational Behavior and Development*, states that the US management theory evolutional model includes three schools of management theory: classical, human relations, and human resources.

Classical School (1800s–1950s)

The *classical school* of management thought began in the late 1800s and continued through the 1950s. It included such theorists as Henri Fayol, Mary Parker Follett, Henry Gantt, and Max Weber. These theorists believed in structured management approaches and that money motivates employees. During this era, the concept of "economic man" surfaced from the writings of Adam

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Smith (1776): "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest." Smith believed that human beings will always act rationally and in ways that benefit themselves. (We discuss Smith again in Chapter 12.) However, recognizing his theory as a basis for early business structure decisions and management's intentions is important for all students of management theory.

The classical management school focuses on efficiency and includes bureaucratic, scientific, and administrative management. According to Allen (2000), "Bureaucratic management relies on a rational set of structured guidelines, such as rules and procedures, hierarchy, and a clear division of labor. Scientific management focuses on the 'one best way' to do a job." Fayol, the author of *General and Industrial Management* (1916), is the founder of the classical school of management, which emphasizes "command and control" (Robinson 2005).

Henri Fayol

Fayol (1841–1925) became known as the father of modern operational management. He defined *administrative management*, which describes how to structure an organization for high performance. Theo Haimann, the original author of this textbook, embraced Fayol's management theory and structured his textbook around it. While other theorists were studying the worker, Fayol was studying the manager. Fayol identified five functions of management: planning, organizing, commanding, coordinating, and controlling. He further categorized the features of management into 14 principles:

1. division of work/labor through specialization,
2. authority and responsibility (including expertise and ability to lead),
3. discipline,
4. unity of command,
5. unity of direction,
6. subordination of individual interests to the organization's needs (pursue only work-related activities at work),
7. employee compensation (Hoffman 2003, 58),
8. centralization (authority based on experience),
9. scalar chain (line of authority),
10. order (all materials and personnel have a designated location) (Hoffman 2003, 58),
11. equity (fair, impartial treatment),
12. personnel stability,
13. initiative (acting without direction from a superior), and
14. esprit de corps (shared devotion to a common cause).

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Scientific Management (1890–1940)

Several large industrial organizations had emerged by the turn of the twentieth century. Often they included an assembly line method for manufacturing products. *Scientific management* focuses on the relationship between workers and machinery and defines how to organize tasks for people. It was believed that organization productivity would increase by increasing the efficiency of production processes or the production line. Scientific management attempts to create jobs that economize time, human energy, and other productive resources. Jobs are designed so that each worker has a specified, definitive task for which he is responsible and that can be performed as instructed. Workers are not expected to "think" but rather to follow the specific procedures and methods for each job with no exceptions. This school of management theory includes four well-known theorists: Frederick Winslow Taylor (1856–1915), Frank (1868–1924) and Lillian (1878–1972) Gilbreth, and Henry Gantt (1861–1919).

Several of the theorists from the classical school became known for their refined management theories.

Frederick Winslow Taylor

"Sigmund Freud would have had a field day with Frederick Winslow Taylor. From an early age, he was obsessed with control, and with planning, scheduling and self-regimenting" (Robinson 2005, 32). Many of Taylor's studies were performed at Bethlehem Steel Company in Pittsburgh. To improve productivity, Taylor examined the time and motion details of a job; developed a better method for performing that job; scientifically selected, trained, and developed the worker to perform the job (specialization); supported the premise that management and worker would cooperate; and divided work and responsibility equally between managers and workers. Furthermore, Taylor offered piece rates, incentives, and bonuses to increase workers' production. According to Peter Drucker (1973, 181), Taylor was "the first man in recorded history who deemed work deserving of systematic observation and study."

Taylor, known as the father of scientific management, published *Principles of Scientific Management* in 1911. In his book, he delineated the roles of management and worker and wrote of his method for improving procedures: Break a job down into its smallest constituent movements, time each one with a stopwatch, and then redesign the job with a reduced number of motions. Various incentives, including rest periods and a differential pay scale, were recommended to improve output. He also supported the need to develop specialization. Specialists in a task would perform the same duties every day and throughout each day, giving rise to dramatic productivity increases.

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His blatant statements about workers, such as "You are not supposed to think. There are other people paid for thinking around here," gained him the reputation as the "enemy of the working man" and caused him to have to defend his system approach before a committee of the US House of Representatives (Robinson 2005).

Frank and Lillian Gilbreth

The Gilbreths also studied motions used in work. Utilizing motion picture technology, they studied the elemental motions, the way these motions were combined, and the time each motion took. They believed it was possible to design work processes for which times of completion could be estimated in advance (Robinson 2005). Frank Gilbreth is probably best known for his experiments in reducing the number of motions in bricklaying. While Frank Gilbreth captured the title "Father of Time and Motion Studies," his wife, Lillian, garnered the title "The First Lady of Engineering." The Gilbreths focused on waste—time and movements—and believed that there was only one best way to perform a process. This belief was later refuted by an administrative management theorist, Mary Parker Follett, whose Law of the Situation emphasized that there is no one best way to do anything and that the best way depends on the situation.

From the Gilbreths came the concept of *motion study*. In a motion study, work is divided into its most fundamental elements, which are studied separately and in relation to one another. From these examinations, methods of least waste are designed. The Gilbreths also developed *time study*, a scientific analysis of methods and equipment used or planned for use in executing a work activity or task. It involves developing a detailed "best approach" to completing the activity and determining the time required to complete it.

When the Gilbreths designed a task, they depicted with symbols 17 hand motions (e.g., select, grasp, transport, hold) associated with the task. These symbols were called *therbligs* (an anagram of *gilbreth*). Interestingly, unions resisted some of the Gilbreths' efforts, leaving their union members to use the old, more fatiguing approaches to completing their work.

Gantt chart
A chart featuring horizontal bars, each representing the time allotted for a different task of a given project. Seen together, the bars reveal tasks that can be done simultaneously contrasted with those that must be done sequentially.

Henry Gantt

Gantt is best known for having developed a scheduling approach that allowed management to view overlapping tasks that needed to occur over a given time. The chart that evolved from this approach became known as a **Gantt chart** (see Exhibit 2.1 for an example). However, Gantt also was associated with Frederick Taylor. Working with Taylor during the time when Taylor was advocating piece-payment systems, Gantt's management approach focused on motivating employees with rewards for good work through a base salary

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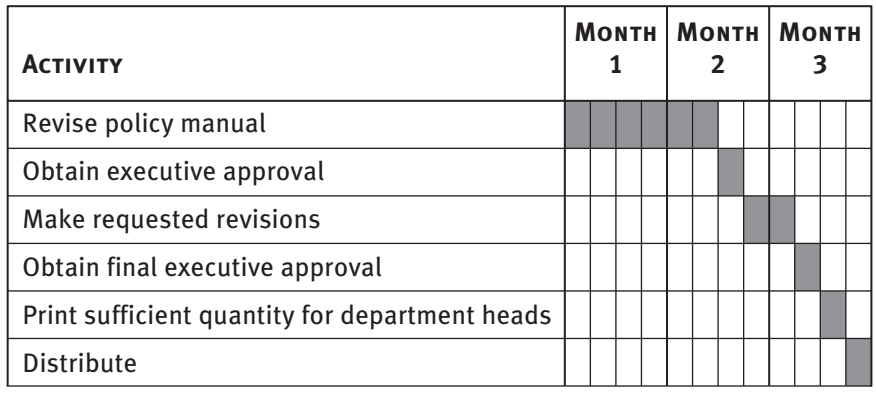
EXHIBIT 2.1
Generic Gantt Project Plan



coupled with incentive and bonus systems. He also believed in quality leadership and effective management skills—he posited that the organization would benefit as a result of motivated employees and skilled leaders working together.

Bureaucratic Management Theory (1930–1950)

rational authority
Authority based on law, procedures, and rules.

positional authority
Authority of a superior over a subordinate.

charismatic authority
Authority stemming from the personal qualities of an individual.

This theory focused on hierarchical structures, assignment of authority, and control. An offshoot of scientific management, bureaucratic management theory emphasized the structure rather than the employee. Max Weber (1864–1920), known as the father of modern sociology, analyzed bureaucracy as the most logical and rational structure for large organizations. He defined three types of authority: (1) **Rational authority** is based on law, procedures, and rules; (2) **positional authority** of a superior over a subordinate stems from legal authority; and (3) **charismatic authority** stems from the personal qualities of an individual. Weber believed that efficiency in bureaucracies came from the following (Allen 2000):

- clearly defined and specialized functions,
- the use of legal authority,
- the hierarchical form of the organization,
- written rules and procedures,
- technically trained bureaucrats,
- appointment to positions based on technical expertise,
- promotions based on competence, and
- clearly defined career paths.

Many of these principles are discussed further in the chapters that follow. In summary, both Fayol and Taylor were task- and thing-oriented. The Gilbreths were process-oriented, and Weber focused on structure and rules.

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